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'THINGS OF INDIA'

MADE PLAIN;

OR,

A JOURNALIST'S RETROSPECT.

98361

By W. MARTIN WOOD

(*Formerly Editor of the* TIMES OF INDIA *and of the* BOMBAY REVIEW).

TO CONSIST OF FOUR PARTS.

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PREFATORY NOTE TO SECTION 5.

IT has been found needful, because of the diversity and importance of the topics dealt with, to extend the number of extracts forming this Section; so that, in dimension and comprehensiveness, it may be regarded as a book in itself. Though the selections are necessarily fragmentary, facility of reference and comparison has been aimed at by means of footnotes; and many of the titles are made explanatory in form, thus obviating the need for going into details in this note. The historic sequence also serves, in some degree, to illustrate the changes in public controversy; though it cannot be claimed that there has been much of natural evolution in the course of Indian finance during the dozen years or more covered by this retrospect—1865-74 and 1878-80. But that is the fault of the subject itself, and of the several authorities who are or have been responsible for control of Indian affairs. It has been part of the writer's duty to explain how there has been so little progress in dealing with India's financial policy, and to indicate how great is the need for more earnest and continuous effort in that direction. In modern states finance underlies or dominates every phase of policy. In the case of British India, as a dependent country, that factor, which is entirely under the control of our governing classes—very imperfectly tempered by Parliamentary checks—not only affects the political future of the Empire, but all the industrial and commercial fortunes of the people, and the very lives of the impecunious masses of the Indian population. Hence it is hoped that this publication, especially its later portions, may induce a few men of "light and leading" to turn to the study of this eminently imperial subject, and devote fresh energy to its investigation. The plan of this work aims at evoking effort on part of the reader. Though he may already know the leading facts of Indian finance, it is only by such effort, devoted to comparison and searching below the surface, that those facts will fall into their proper focus and perspective. These excerpts being the outcome of direct contact with the financial history of modern India should—when supplemented by reference to authoritative records—be found useful in working out that process of persevering examination by which alone Indian finance and its bearings can be fully understood.

It will probably be considered that amongst the more useful of these selections are those that deal with the proceedings of the Select Committee of 1872-3, of which no report was presented, though a full Index was compiled by the late Mr. E. B. Eastwick, at the request of the then Secretary of State for India—Sir Stafford Northcote. Though the procedure of that Committee was badly arranged, its inquiries covered a very large portion of the whole field of Indian finance; and—as illustrating the reference made above to the lack of continuous progress in this subject—it may be remarked that few of the questions then raised have yet been settled; so that the "interned," though not interred records of that Committee will have to form the starting point of that thorough and authoritative investigation into Indian affairs, which, though often promised, yet remains to be entered upon. These extracts also serve to recall many interesting personal reminiscences of eminent men now passed away, including, besides the two above mentioned, Sir Bartle Frere, Lord Lawrence, Professor Fawcett, Sir Charles Trevelyan, and others scarcely less notable.

There is one branch of the subject to which, perchance, some may consider that too many extracts have been devoted, that is the "tribute" drawn from India as an inevitable consequence of its financial and political dependence on this country; but attention to the facts and figures set out in those extracts is earnestly solicited. The subject is far more generally understood now, than at the period when the writer found it necessary to treat it "line upon line;" but he must leave it to thoughtful critics to decide whether that treatment, as here recorded, is even yet superfluous. That topic is followed out, under later circumstances and the accumulating pressure caused by the revolutionary frontier policy, in the extracts under the head of "The Pit into which India is Drifting." If it should be felt that these and similar passages tend to raise a feeling of hopelessness regarding the future of our Indian Empire, the writer cannot help that; but he would disdain to foster any admission of helplessness. Rather would he, in presence of this Indian problem, apply Emerson's noble apostrophe to England in his speech at the Manchester Athenæum, in the dark days of 1847: "All hail! mother of nations, mother of heroes, with strength still equal to the time; still wise to entertain and swift to execute the policy which the mind and heart of mankind requires in the present hour."

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PART III.

5.—FINANCE: IMPERIAL, PROVINCIAL, ANGLO-INDIAN.

AN ANCIENT BUDGET:

Income-tax, Export Duties, and Salt.

SO far as we have had time to examine Sir C. Trevelyan's valedictory essay in finance, we feel no hesitation in saying that it will require a considerable amount of plausible and ingenious reasoning to justify it in the estimation of both the mercantile and political public. . . . Whilst other financiers are striving to simplify all their plans so as to reduce to a minimum the occasions for interfering with the daily operations of trade, our outgoing Minister saddles our commerce with seven new imposts at two or three different rates. Two of these—the duties on tea and coffee—are levied upon new, and yet struggling, branches of our higher class of agricultural industry. A similar remark applies to silk; though the principal effect of that export duty, and also that on wool, will be to check the transit trade in those articles with Central Asia, by way of Kurrachee and Bombay. Export duties are justifiable only in such unusual cases as was that of saltpetre when the duty was imposed by Mr. Wilson. . . . This Budget will be welcomed in China, Ceylon, Siam, and the vast undeveloped fields of production throughout the Eastern Archipelago. Perhaps Sir Charles will plead that his new imposts are little ones; but the plea is only another condemnation of his measures, as, for all this meddling with the daily operations of commerce, he only promises us a paltry income of £330,000. . . . . .

Perhaps we may be reminded that the Income-tax abolition forms a bright line in the new Budget. No doubt, it will be so spoken of by those who regard taxes only from the superficial consideration of their own visible individual payments. Such opinions are, of course, not worth taking into account for a moment; but there are many who have deemed the Income-tax unsuited to the peculiar habits and character of the Indian peoples. On this ground it was mainly that in our own columns the introduction of the Income-tax was opposed; but now the question stands entirely on a different footing. *Now* we have an Income-tax in India; the people are partially reconciled to it; the machinery for its collection was being gradually improved, and by judicious management the revenue from it might have been steadily increased. There are strong reasons in favour of the abstract equity of a judiciously assessed Income-tax. It is an impost fairly intended to fall on the taxpayers "as nearly as possible in proportion to their respective abilities—that is, in proportion to the revenue which they respectively enjoy under the protection of the State." . . . . .

There is just one other item of this uninventive, make-shift Budget to which we would

allude. Sir C. Trevelyan has bethought himself that, after all his pains, his successor might find himself short of cash during the year. Anxious to provide Mr. Massey with some resource in case of disaster, the departing Minister suggests that the new one may help himself out of—salt! Thus the Budget is made to comprise an assortment of all the special vices of Indian finance. Sir Charles, having abolished the Income-tax, and bidden Dives to clothe himself in purple of deeper dye and in linen of finer texture than ever, then points his successor to Lazarus—the beggar at the gate, from whose crumbs something may yet be mulcted. As bread in the Western world, so salt in the East, is identified with the idea of life itself; and it is pitiful to see our retiring Minister threaten to lay hands again on this necessary of existence. However, Sir Charles Trevelyan,—probably wearied out with the atmosphere of Calcutta, though dwelling in "Elysium Row,"—affords another proof that original mental vigour can make no long stand against the physical enervation induced by the climate of Bengal.*—*April* 8, 1865.

Sir Charles the Ungracious.

II.—Sir Charles Wood, in the style of his despatch wherein he rebukes the Supreme Government for repealing the Income-tax and imposing export duties, reminds one of the second couplet of a noted epitaph on a royal namesake of his. It was said of the "merry monarch" (albeit, very guiltless of merriment is our Sir Charles) that "he never said a foolish thing, and never did a wise one." Here was a wise thing to be done,—the reversal of a mischievous fiscal plan;—but in the doing it, the ungainly Secretary must needs write in the most harsh and peremptory manner that pen could frame, and without making the slightest allowance for the circumstances of the case. We suppose that even Viceroys have some *amour propre;* that civility, being cheap, would not be wasted on them; and that the splendid position of being a Governor-General is scarcely sufficient to reconcile a man to being made the scapegoat for offences which he has done his utmost to prevent. The excessively ungracious style of Sir Charles Wood's despatch (which appeared in our issue of Saturday) will become more apparent when read in the light of the papers to which it was a reply—the Supreme Government's "Minutes relating to the Income-tax," which we published as a supplement on Monday. These Minutes commence with one by the Governor-General, in the first line of which he expresses his "very great concern" that Sir Charles Trevelyan is opposed to the renewal of the Income-tax; he also states that he very unwillingly gives way, as being in a minority against his colleagues, and he records an emphatic protest against their policy. The whole of his thoughtful paper is in substantial accord with the despatch from home, the stern, rebuking tone of which might easily have been made to apply to the real offender, Sir C. Trevelyan.

With the exception of Sir John Lawrence's own minute, the whole drift of these papers is in favour of the repeal of the Income-tax. The great argument of all the writers is, that of keeping faith with the Indian public in regard to the promise made by Mr. Wilson when, in 1859, he imposed the Income-tax—a promise which has since been frequently renewed by Mr. Laing and others. . . . . .

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* Though the above criticism on the Indian Budget of 1865 must stand, we should be as ungracious as the other Sir Charles of that period if we now omitted to testify to the large services rendered to India by the late Sir Charles Trevelyan in the domain of practical finance. To his energetic efforts, in the earlier part of his career, were mainly due the abolition of the transit duties up to that time maintained by the Company. This measure marked a distinct step of progress in the internal commerce of the country. And though octroi duties *still* subsist in many parts of India, they were effectually discredited by Sir Charles's vigorous opposition, and those that remain are only retained for strictly municipal purposes. Though his revolt, as Governor of Madras, against the Income-tax imposed by James Wilson to meet the severe financial difficulties caused by the Mutiny, can scarcely be justified, it must be remembered that Sir Charles's motive was to shield the smaller taxpayers from the extortion which he deemed inseparable from such tax. His continuous efforts also to keep down needless expenditure should not be forgotten; but the most valuable contribution that Sir Charles Trevelyan rendered to sound principles of Indian finance consists in his evidence placed before the Select Committee of 1873. When that subject shall again be seriously taken up that record must be reverted to. One sentence in that evidence may suffice to indicate its principal drift: "855. The decentralization of the finances is the key to the solution of the whole problem." In other passages he testifies to the futility of the Indian Council's ostensible control over expenditure. The chief passages in Sir Charles's evidence have recently been republished by Mr. J. Dacosta as an appendix to his pamphlet, "The Financial Situation in India" (P. S. King & Son; 1887).

At the time when the financial statement was made we deemed that, practically, it was a great mistake to shelve the Income-tax, instead of retaining it in some modified form as a starting point for some better system of direct taxation. We must confess that now, when the Indian public have placed before them the string of reiterated promises that the Income-tax should be repealed, the moral and political arguments in favour of that course seem stronger than they possibly could do to outsiders last May. Yet for all that, when there was offered, as an alternative to that repeal, the imposition of export duties, there can be no question that the Income-tax should have been temporarily continued instead of so retrograde a policy being chosen. Export duties, as a matter of financial principle, we had supposed were as completely condemned and discarded as is the practice of indiscriminate phlebotomy amongst the doctors. . . . We imagine that, at any rate, Sir C. Trevelyan will be the last British financier who will dare to bleed national commerce at its source. After a comparison of all the arguments advanced in these minutes in favour of the peremptory obligation to repeal the Income-tax, though we admit their moral and political weight as applied to the particular instance, the whole case appears most conclusively to show the impropriety of financiers ever making such promises. Analogies drawn between rules for the conduct of individuals and principles of national policy are in every case more or less delusive and misleading. A nation cannot exact a promise, and no statesman who gives a pledge can possibly ensure its fulfilment. . . . . .

Public Works: Departmental Secrecy.

However, it is quite clear that at last our leading Indian statesmen have fully admitted that there is laid on them a special political and social obligation to promote organic material improvement in this country. There now remain the two leading questions of detail, with all their ramifications—how the funds are to be raised, and what form is the organisation to assume by which the outlay shall be applied. . . . As to the former question, though of great importance, we conceive it is simple enough; and the following judicious remarks by Sir C. Trevelyan serve well to open it up:—

> It is objectionable, both in an economical and political point of view, to impose heavy taxation for works of improvement. The best employment of money of all is that which the industrial classes make of their annual savings for their own advantage; and it is of no real benefit to the community to interfere seriously with this, and to cause general harassment and discontent, in order to accelerate the execution of public works. It would also be unjust to the existing generation to place an undue burden upon it for works which are intended for all time to come.

All this closely accords with the policy often advocated in this journal—that public works, the permanent utility of which may be unquestionable, should be provided for by loans that the Government of India should be free to obtain in the cheapest market. Of late years there has been spare capital in India that might often have been available for this purpose. It is true that, owing to the greater value of capital here, a slightly higher percentage would have to be paid to resident Indian holders; but that might be amply compensated for by the additional political security thereby gained, and so the condition of buying in the cheapest market would still be fulfilled.

The publication of these important Minutes three months after the occasion which called them forth, raises the general question as to how much longer the Indian public are to be kept in leading-strings. No one would wish that confidential discussions on financial and political measures of which the Government must alone bear the responsibility should be published before a conclusion is arrived at thereon. But it is incomprehensible to the common mind why documents, on which action has already been taken in India, should be hermetically sealed until they have travelled the ten thousand mile journey to and fro between Westminster and Garden Reach. Three-fourths of these State papers, after such a lapse of time, lose that interest which, if published when new, they would have excited in a very large circle of readers. Representative government is for India an ideal which we may toil after in vain; but there is no reason why the autocracy tempered by public opinion under which we live, should systematically withhold that authentic information which is the only nourishing aliment on which inteiligent discussion can thrive.—*July* 20, 1865.

CHEAP GOLD AND DEAR SILVER.

THE Government of India having appointed a Commission to consider the working of our present systems of metallic, as well as paper currency, there is now a little more practical interest attaching to this topic than was the case when we wrote upon it during last week. Since then, also, our Chamber of Commerce has discussed the subject. The commercial community, we fear, will regard the process of inquiry by commission as a very tedious one. The necessity for a change is felt to be very pressing even in Bengal, but here on this side of India the pressure has been much greater, and Bombay merchants may naturally feel a little impatient at the prospect of the cotton season passing away without anything being done. On the chief point to be considered—the propriety of admitting gold into Indian currency—nearly every one has made up his mind except Sir Charles Wood (now happily the *late*) Indian Secretary. Most people have come to a still more positive conclusion—namely, that gold having become more abundant in the world than ever before, it is exceedingly injurious to India to exclude it from our currency. It has also been assumed as a consequence of that proposition that silver should be demonetized, that gold should be made the standard of value, and henceforth decreed as the only legal tender of metallic money. . . . It is our object here to mention certain considerations that, no doubt, will also weigh with the Commission just appointed against their President's advocacy of an exclusive gold currency. . . . . .

It will be seen that, for our own part, we do not recognise any imperative necessity to interfere with the present silver standard of Indian coinage, more especially since the increasing yield of the metal tends to check the rise in its price. Neither does there seem a necessity for setting up a gold standard, in the sense in which the rupee is the standard of value and the measure of obligation from Government to the public creditors. The mint stamp on the new gold coin would, indeed, be a "standard" or attestation of its weight and fineness; but that is mere matter of necessary convenience, and carries with it no political or financial results. If the bugbear known as "danger of disturbing the standard of value" could be expelled from this discussion, a practical solution would speedily be found for our currency difficulties. To decide on keeping the standard as it is, would be our method of exorcising the evil sprite which has hitherto brooded over all these discussions. That method may not be readily accepted by those who, like Sir W. Mansfield, have somewhat ostentatiously staked their judgment on the arguments for the imperative introduction of a gold standard and the demonetization of our silver rupees; but we offer our suggestion towards a solution of the difficulty to the notice of those who are willing to accept whatever may prove to be most expedient. . . . . .

What is wanted is some method of bridging over the chasm between the present semi-barbarous stage of commerce in the Indian mofussil, and that state of enlightenment which would be implied in the ryots cherishing rolls of bank notes. The best way to construct such a bridge, as it appears to us, is to arrange in the first place for the free influx of a metallic currency one-fifteenth part the weight and bulk of that in which alone the ryot now puts his faith; that step once gained, the banks and bank notes would gradually follow. In a Government paper currency we possess an invaluable aid towards effecting a complete revolution in the popular misconceptions on currency and finance; and it is matter for great surprise that none of our Indian statesmen or financiers have yet hit upon some practical plan for this end.*—*Feb.* 14, 1866.

A NEW FINANCIER ADOPTS AN OLD SUPERSTITION.

MR. MASSEY, in his financial statement, somewhat gratuitously informed the Council of India that an unnecessarily large cash balance was repugnant to every

* In presence of bimetallist discussions, and the unsettlement caused by the appreciation of gold, it may have some steadying effect to consider the very different conditions in 1865-6 as indicated above. As to the suggestion that gold might be used in the currency as subsidiary coin or collateral legal tender, the British intellect, even in its more receptive Anglo-Indian form, seemed unable to realize the possibility of the less costly metal being, at the same time, retained as the standard of value. Yet that this course was practicable was shown by an order being issued, which remained in force for three or four years, that sovereigns should be taken as legal tender for ten rupees. At present a sovereign in India will obtain fourteen rupees. Had gold been made the standard Indian currency in 1866, the "appreciation" of that precious metal and corresponding depreciation of silver would have been far more rapid than has been the case.

dictum of political economy. He, moreover, thought it necessary to add, that all money in excess of £11,000,000 sterling* so locked up had been retained on "principles as senseless as those which induce the natives to secrete their wealth in the earth." The honourable gentleman is therefore a believer in the facile theory which assigns the hoarding propensities of the people of this and other Asiatic countries as a main, indeed chief, cause why the flow of the precious metals to this continent continues to expand. "First catch your hare," wrote a prudent female economist of the domestic school; and to the propounders of the not inconvenient theory to which Mr. Massey has thus somewhat prematurely signified his adhesion it might, in similar spirit, be said, First demonstrate that the people of Asia, or at least those of India, are the hoarders you assume them to be, before stigmatising them as so "senseless" as to bury in the earth gold and silver that might safely and reproductively be kept in circulation. To do this, would, we apprehend, rather puzzle the theorists; for, contrary to general belief as it may seem, we believe the truth to be that there are few large hoards of money in this country, and infinitely fewer small hoards in the form of buried pots of rupees than any who have not given the subject some special attention would be found prepared to suppose. . . . . .

To begin with the beginning: where is the real basis of fact for the assumption that the natives are inveterate hoarders? They are, it may be conceded, as regards savings, accumulative in a very high degree—in a degree that some European populations might not disadvantageously emulate. They have the virtue of thrift to an extent that would gladden the heart of Mr. Gladstone. But that they are unwilling or disinclined to invest some money profitably, when such investments may be made with positive safety, or that they hoard for the mere sake of hoarding, are propositions which are effectually disproved by an attentive consideration of the past and present circumstances of India. . . . . .

The question therefore is, where has the money so withdrawn gone? It has disappeared, yet it has neither been hoarded nor exported. The solution, we take it, must be sought for in an adequate consideration of the immense amount of money requisite to the saturation of the accumulative propensity in a population of between 180,000,000 and 200,000,000 of people. A considerable quantity of the silver imported has undoubtedly gone to supply the still independent native States and the more recent of our annexations and conquests with a circulating medium; but by far the largest quantity has been absorbed by our own agricultural subjects. These, after supplying themselves with all requisite and even fancy articles, have generally, in the districts developed by the great demand for produce—as in the Bombay Presidency especially—laid by a little store as provision against any future time of trouble, either national or domestic. The amount of money thus withdrawn from circulation must, we admit, be immense; and yet it cannot be said to be hoarded. At any rate, accumulations of this kind should not render their owners as "senseless" and contemptible in the estimation of a Finance Minister, who, however new to India and Indian topics, must at least be aware—though the country has, as yet, done without anything like a poor law—that seasons of drought, and consequently of ruined crops, are by no means infrequent. It should also, it seems to us, have struck such a Minister as, in some degree, matter for congratulation that the Indian cultivator so prizes money in excess of his requirements that, unlike the negro or the reckless classes at home, he needs no other inducement to enlarge the limits of cultivation than the likelihood of obtaining a good price for the excess produce so raised. It would, we admit, be more convenient to special interests if the cultivators were less accumulative, we will not say more improvident. Nevertheless, it is by no means clear that a large consumption of imports by the cultivating class is essential to the progress of Indian civilization. At any rate, the cultivators themselves seem to think they must be in still better circumstances before they can safely indulge in what to them are foreign luxuries. We do not say they will always remain of this mind, or that such is desirable. We only observe that in their way they are doing well, and are not hoarders, though possessed of spare coin and keeping savings' banks of their own.—*May* 3, 1866.

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* The cash balances in India now range from £11,000,000 to £12,000,000, and in the Home Treasury £3,000,000 or £4,000,000; this last being needlessly high. About ten years later than the above dictum of Mr. Massey's, his successor, Sir William Muir, contended it was needful to keep £15,000,000 in the Indian treasuries. And under Sir Richard Temple as Finance Minister, the cash balances were allowed to go up to nearly £20,000,000, besides £2,000,000 at home. Mr. Massey's opinion as to the amount of cash needful to be kept in hand was more reasonable. The cash balance in India at the end of the 1887 financial year was £13,000,000, and in the Secretary of State's Home Treasury over £5,000,000.

MR. MASSEY'S FIRST BUDGET:

Calcutta Merchants and the Bengal Defigit.

THE Committee of the Calcutta Chamber seems to have been anxious to show to the world that they have souls which, on occasion, can rise above questions of tariffs and indigo. In an extensive pamphlet, in the shape of a letter addressed to the Financial Secretary to the Government, they advocate certain fiscal measures which, in their closing sentence, they affirm are "supported by the sanction of unimpeachable justice." This is taking high ground; but, as so often happens with people who take unwonted flights, this would-be State paper dwindles down into proposals which will remind everyone of the proverbial *mons parturient* sort of result. Nevertheless, were there a still smaller proportion of the Calcutta merchants' fiscal manifesto that we could agree with than we find is the case, we should feel disposed to commend their professedly sincere attempt to master the principles and facts of Indian Finance. They avowedly come to the consideration of this wide subject free from the bias of any mere sectional trade dispute; and though their class and local interests do prove sadly too strong for their own logic and the exalted principles to which they appeal, they err unconsciously, and have evidently made some unusual effort to ascertain how things are, and how they ought to be shared in the matter of Indian taxation.

We do not care to discuss the four proposals put forward by the Chamber, because it is difficult to understand for what intent they are advanced. If they are simply meant to show Mr. Massey that he might have raised half a million in other ways than by a license tax,—well, the point is gained; but then that object could also have been fulfilled by suggesting a capitation tax on old men of sixty or on maidens of six. If the Committee's four propositions are offered as suitable to form a substantial portion of a budget, they would require to be supported on such very different grounds that it is impossible to discuss the several imposts within reasonable space, and, besides, it is not worth while, considering the manner in which they are put forward. A succession duty, or rather an inheritance or *nuzzerana* tax, is the fairest of all taxes; and had we Finance Ministers with originality, some effort would ere this have been made towards the institution of such an impost, but it would be many years before the yield of a succession duty became important. The enhancement of the salt duties is the pitiful object to which, in this ambitious way, the Chamber's serious effort is given, and this after showing by their own tables that the salt duty yields two-fifths of all Indian taxation! It is easy to prove that the salt duties arithmetically calculated fall very light—a little over a rupee per family a year, and in Bombay it is only two annas per head—but if it is light, the Chamber has shown us that other imposts are lighter still. The Chamber is welcome to have the salt duty equalized if it be worth while, but we imagine that smuggling and evasion would rapidly increase with any enhancement.

And now we have a parting word for the Calcutta merchants, and one of considerable importance. They have begun to talk about equalization of the poll tax of India (for such is the salt duty in effect), and they have asserted for themselves a capability of discussing the equity of our present fiscal system. We would propose to them a task which deserves the exercise of all their newly-found talents, and which they are bound to accomplish in deference to the teaching of the group of lofty principles to which they have just proclaimed their enthusiastic adherence. Instead of trifling about the difference between the salt duties of Bombay and Bengal, let them turn their attention to the striking inequality in the total payments to the Imperial revenue that are furnished by Bengal and Bombay respectively. The Chamber will find that Bengal—the oldest, richest province of India—pays far less than the proportion justly due from it. This may be shown in various ways, but for the present it will suffice to take the following table from one of the home papers, the *Examiner*, into one of the outlying corners of which it had been thrust, as of little consequence. It will be observed that although the current and correct statement of revenue is here given, the numbers for population are in the aggregate considerably under the fact, and Bombay and Bengal—the latter especially—are understated. The opium revenue, as being paid by the Chinese, is very properly omitted by the English compiler from the account:—

Provinces.	Population.	Revenue, except Opium, in Rupees—2s.		Per Head, 1865-66. Rs.	Per Head, 1867-68. Rs.
		1865-66. Actual.	1867-68. Estimate.		
Bombay	12,051,871	7,32,38,500	6,71,45,130	6·07	5·57
British Burmah	2,196,180	1,00,60,650	1,14,13,535	4·58	5·19
Madras	24,205,509	7,03,33,750	7,48,53,550	2·905	3·09
Bengal	38,539,341	9,06,10,420	10,09,06,410	2·36	2·62
Punjaub	14,230,424	3,19,45,180	3,42,89,550	2·24	4·41
N.-W. Provinces	30,074,854	5,66,84,760	5,87,46,715	1·88	1·95
Oude...	8,326,647	1,30,72,200	1,39,20,810	1·56	1·67
Central Provinces	7,879,900	98,02,190	1,07,86,375	1·24	1·37
Total* ...	137,505,726	35,60,47,660	37,20,62,075	2·59	2·71

It is here shown that this Presidency, with its large tracts of infertile territory, contributes nearly twice as much to the Supreme Government's revenue as does Bengal, by far the wealthiest province in India, every zillah of which is cultivated. But the table above is imperfect, and the imperfections are such as tend to hide the full contrast between this Presidency and Bengal; while, if the true respective statements of expenditure were also brought to account, the inequitable preference in favour of Bengal might even astound the Calcutta merchants in their new-found zeal for economic righteousness and fiscal justice. We have no hope that they will become our coadjutors in following up this really important subject; but some of the other provinces of India (Madras to wit) are interested in it, and we look to them for support, as also for that of the Finance Minister, who, as supreme arbiter, is bound to adjust the inequalities between the different provinces of India. One great problem of the day is to bring about such a re-arrangement of the imperial taxation of India that Bengal may bear its fair share of the national burdens, and, moreover, that the several classes of population in that Presidency shall respectively contribute in their just proportions, which at present is very far from being the case.—*June*, 1866.

II.—In a certain important public document some little time ago addressed to the Viceroy in Council, occurs the following statement of the cardinal principle in national finance, that it is the duty of all subjects "to contribute to the support of the Government as nearly as possible in proportion to their respective abilities—that is, in proportion to the revenues [private income] which they respectively enjoy under the protection of the State." The document to which we refer, is the letter from the Calcutta Chamber of Commerce, in which the committee of that body pleaded for remission or modification of the License Tax, and suggested certain other imposts as substitutes for the new and obnoxious levy. Having at the time pointed out how signally the committee had failed in their attempt to apply that equitable principle, which, nevertheless, they expounded in such clear and effective terms, we need not now do more than refer, in passing, to the fact of such failure. . . . When it is shown, as we propose to do, that Bengal does not bear its fair proportion of our imperial taxation, and that other provinces are continually mulcted to make up for its shortcomings in this respect, we can scarcely hope that the Calcutta Chamber will "move heaven and earth," or the Viceroy either, in order to redress such inequality. There is, however, a far wider audience to which we can appeal. Not only are all the taxpayers and administrators of this Presidency directly interested in having this injustice redressed, but all those public men who may be desirous to establish or conserve their reputation for statesmanship,

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* Making the comparison on the basis of population (as is done in a subsequent article), the contrast is still more striking. The figures in the old table quoted above from the *Examiner* are absurdly below the mark as regards Bengal, the population of which being about two-thirds more than is there given, requires the revenue contribution *per capita* to be reduced to a mere fraction. Whilst the land revenue drawn from Bengal remains as fixed, pursuant to the Settlement of 1793, at considerably under £4,000,000 per annum, the rental drawn by the landlords (zemindars) and middlemen is estimated at over £14,000,000. No solution of the financial inequalities between the several provinces of India can be attained until some means shall be devised for redressing the undue pressure on the rest of the peninsula caused by the inequitably favoured position of Bengal. One of the best attempts at dealing with this peculiarly difficult question is comprised in Mr. John Hector's "Underlying Principles of Indian Fiscal Administration" (Chapman & Hall; 1880).

must be unwilling to defend such injurious favouritism, when once they observe that it is generally recognised. Nor do we speak on behalf of Bombay alone. Our case is also that of all other provinces of India except the favoured one, which, during a long course of years, has contributed less than its fair share to the general revenues, whilst other provinces have in like proportion been unduly burdened. . . . . .

In the first place we must deduct from the "Net Public Income" of India those portions of that income raised by imposts which either fall equally upon all provinces of the empire, or are paid by none of them. There are three large items in our revenue which are independent of all provincial distinctions; first, salt and customs duties, which are paid by the consumers equally over the country; and, second, the opium revenue, which is paid by the foreign consumer, that is the Chinese. We take for our basis of calculation the actual "net income" of the year ending April, 1866, which, with the requisite deductions specified, was as follows:—

Actual net expenditure in India		£32,668,771
Home charges		4,982,164
Net Imperial cost for all India		£37,650,935
Deduct total net income from Customs	£1,938,004	
" " Salt	4,954,453	
" " Opium	6,623,982	13,516,439
		£24,134,496

This, then, is the annual sum the payment of which ought to be equitably allotted amongst the 144,674,615 of people subject to British rule in India. There are three considerations chiefly to be taken into account in making that allotment amongst the different provinces; 1. Population; 2. Extent of territory; 3. Natural advantages. The first is not only the essential point of comparison in the discussion, but is the one that may most suitably be subjected to numerical and arithmetical test. The total population of British India, as just given, we take from the "Statistical Abstract" which—at first compiled under the direction of Colonel Sykes when Chairman of the East India Company—was re-issued a few months ago. It professes to be corrected up to 1865, and though the population returns are probably inexact, we use the items interchangeably, so that the relative results will be tolerably correct. . . . Has not the Bombay Chamber of Commerce a good right to call upon the Calcutta Chamber to apply on behalf of this Presidency that cardinal principle of financial equity to which its leading members have ostentatiously declared their allegiance? In the event of the Calcutta merchants failing us, we must look to the Finance Minister and his successors as being bound to redress this inequality as occasion arises.

III.—The contrast between the respective contributions of Bengal and Bombay to imperial revenue is not nearly so striking when the mere superficial areas of the two jurisdictions are taken as a basis of comparison. The "Statistical Abstract" before us gives the total extent of British India as 955,238 square miles, that of Bengal and its divisions at 246,785, being a little over one-fourth of the whole; and Bombay, with Sind, as 142,042 square miles, being rather more than one-seventh of the vast territory under the Supreme Government.* If, then, we institute the comparison on this superficial ground—that of total area, without discriminating as to respective degrees of fertility, a comparison the most favourable to Bengal—the result will be as follows:—

Total net imperial charges to be apportioned	£24,134,496
Proportion due from Bombay and Sind as per area of Territory ...	£3,449,070
Actual net contribution from revenue of 1865-6	4,407,500
Contributed by Bombay in excess	£958,430
Proportion due from Bengal as per area of Territory	£6,033,624
Actual net contribution from revenue of 1865-6	5,013,011
Deficiency in the contribution of Bengal	£1,020,613

* See foot-note on page 327.

Were it possible to express in figures the enormous advantage in point of fertility possessed by Bengal, the above six millions, due from that province as the proportion of its area, would be at least trebled. We would advise the politicians or spirited public servants of Madras and the Central Provinces to look into this matter. We would add the Punjab also; but we observe that that province is not charged in the finance accounts with its share of imperial military outlay; and seeing that its administrators are necessarily much under the thumb of Bengal in all things political, they will not be likely to exert themselves towards a readjustment of provincial fiscal burdens.

It is well understood how Bengal has secured the favoured fiscal position she enjoys. It is mainly due to the disastrous, but we would hope not irremediable blunder that was perpetrated in the arrangement known as the Cornwallis Settlement, when, instead of the State retaining a *proportion* of its revenue from the land—as it is now proposed to do in the case of the Oudh talookdars—all was surrendered except a certain specified sum. In this way was sacrificed throughout the greater part of Bengal the ancient claim of the State to participate in the advancing value of the land, while in other provinces that claim has in one shape or other been very properly maintained. Thus other provinces of India have had, and still have, to make up for that blind surrender of a large portion of the patrimony of the State which was then made to a comparatively small number of persons in Bengal. To speak of that province yielding any "local surplus" for the benefit of the Imperial exchequer is manifestly absurd on the face of it; and that it is palpably untrue, we have proved by analysis of the Finance Accounts.—*August*, 1866.

INCOME-TAX AND ITS ALTERNATIVES.

MANY of the loudest opponents of the license-tax of last year did not hesitate to say that they would have preferred an income-tax, though when the Calcutta Chamber of Commerce came to close quarters with the Viceroy their zeal for direct taxation evaporated, and their fiscal ingenuity displayed itself in suggestions for an increased salt duty and a tax on tobacco. So much was, however, urged in the press, and elsewhere, in favour of an income-tax, that no one can be surprised should the country be taken at its word, and that impost be again introduced to our notice. We have reason to believe that some step of this kind is contemplated. What modifications may be made as to scale of charge and mode of assessment should an income-tax be re-introduced, cannot yet be determined upon; but if any of the ingenious writers who six months ago vehemently declaimed against the license-tax in any shape can show how every income shall yield its proper quota without treading on any one's favourite corn—how every man with more than Rs. 500 per month is to be induced to become confidential with the State, and offer to the collector the precise fraction that the law requires,—now is the time for such skilful financiers to speak. If the indications on which we rely are trustworthy, the intimation which we now hand round for the benefit of all whom it may concern will at least prevent the coming unawares of the unwelcome guest. The license-tax was an attempt to take from each class according to its ability to aid the State—a very ineffective and inadequate attempt, we admit. This attempt, though clumsy, was essentially equitable and abstractly scientific, but it was met with a cry like the exclamation of Macbeth—"Take any shape but that, and my firm nerves shall never tremble;" and now, whatever becomes of the license-tax, those who met it in that spirit will probably, under the more familiar name of an income-tax, have an opportunity to criticise another effort to lay under contribution the "personal estate" of the middle and upper classes of Indian society, native as well as European. . . . . .

In India—where the pressing claims for long-delayed public works are never overtaken, and where, as at the present time, many of the subordinate branches of Government servants are inadequately paid—any improvement in one branch of the revenue, if not obliterated by deficiency in another, is sure to be absorbed by the ever-creeping tide of expenditure. Any stern economist like Joseph Hume might, perhaps, point to the Military charges which form one-third of the whole outlay of our Indian Empire, and ask if there be not scope to retrench to the extent of a couple of millions or so. And that sum, we must remember, is the utmost that is likely to be produced by any scheme of direct taxation, ...

The arguments that may be advanced in favour of, and the objections against direct taxation in India were almost exhausted during the course of the searching controversy between the Supreme Government on one side and the Governments of Bombay and Madras on the other, on the introduction of the late Mr. Wilson's famous tax on incomes. In the circumstances of that period, and with the alarming deficit of five or six millions to face, there can be no doubt that the Finance Minister of the day was right, and that his skilful expositor, Sir Bartle Frere, had by far the best of the argument, especially in the masterly paper dated May, 1860, which, though in reply to Lord Elphinstone, was only in time for the perusal of his successor, Sir George Clerk. And yet after the exigencies of that crisis have passed away, every one must admit that his Lordship's views were substantially sound, when, after alluding to his protracted experience in Indian affairs, and his opportunities of reviewing the various fiscal and economic opinions of those intimately acquainted with this country, he added :—

> Upon various subjects of public interest I have, of course, found a considerable diversity of opinion; but if there was any one point upon which, up to the present time, I believed that almost complete unanimity prevailed, it was that we ought sedulously to avoid fiscal innovations, and to rely for the improvement of our finances *upon a judicious economy*, upon the *gradual development of the resources of the country*, and upon the consequent greater productiveness of the existing sources of revenue. I still hold to this opinion, seeing that in the last quarter of a century the revenue has *nearly doubled itself*, and that its increase within the last three or four years is considerably greater than at any former period.

One of the strongest arguments then put forward in favour of direct taxation was based upon the asserted inflexibility of the land revenue; but it ought now to be seen that if it be inflexible, that is due to the injudicious generosity or timidity of our revenue authorities—always excepting Bengal, where the prodigal sacrifice of Imperial resources, which calls loudly for redress, is decreed by statute. More sober views than those Mr. Wilson cherished as to the probable results of any schemes of direct taxation are now entertained, and Mr. Laing was not much under the mark when in 1862 he said, "If driven to resort to increased taxation, it would be easy, with the experience of the income-tax, to frame a measure, partly poll-tax and partly license-tax, to produce £1,500,000 to £2,000,000." But what is this compared with all our needs? We have at various times expressed the opinion that a succession duty—founded upon, but expanded beyond the indigenous usage of the *nuzzerana*—being the most equitable of all taxes, might be made to yield a considerable and steadily increasing revenue to the Imperial exchequer. Though not quite prepared to forego this opinion, we observe that those most thoroughly conversant with the actual circumstances of Hindu and Mohammedan society, hold out no hope that such an impost would be productive enough to justify the experiment of working it even for a limited period. —*October* 28, 1867.

THE FALLACY OF CHRONIC DEFICIT; PUBLIC WORKS ABSORBING CURRENT REVENUES; AND TAXES ON JUSTICE.

HAVING gone through the somewhat thankless task of showing that Mr. Massey's financial statement needed a few more figures and a little more detailed explanation to render it fully intelligible to the general public, we now have the ground clear to refer to various points of general policy pronounced upon by the honourable gentleman. First, we may congratulate him on having nearly worked himself clear from the inveterate misconception that besets English politicians and too many of the non-official public here, and which is expressed in the phrase—"the Indian finances are in a chronic state of deficit." Seldom has there been a greater mistake concerning the public balance-sheet of any country; and very unjustly has this mis-statement operated against India in the minds of English politicians and capitalists. To Mr. Massey in great measure must belong the credit of having effected the first practical step towards the vindication of India's national credit, in his having secured the distinct separation of extensive and "extraordinary" public works from the charges for smaller ones and ordinary repairs. But this division is as yet very incomplete, and it by no means serves to place the Indian balance-sheet in the same position as that of the British Treasury, with which it is habitually but very unfairly compared. At home the construction of public works and communications are charges that are defrayed by municipal taxation or joint stock subscription; and so exceptional is any capital outlay on public works by the State,

that the annual charges on account of Lord Palmerston's fortifications—all the funds for building which were borrowed—are made to stand out in an item by itself as a sort of excrescence on the national balance-sheet. There are in the English accounts under the head of "Miscellaneous Civil Services" certain charges for the repair and improvement of palaces and public offices, and a few grants towards metropolitan improvements, and towards some dock and harbour improvements chiefly in Ireland. All these in the accounts for 1867 amount to a little under £1,000,000. There is also a grant of £660,000 for the new Courts of Justice, but with nearly all these grants a considerable balance stands over to the next year. The new Courts of Justice form a very exceptional charge, so that with the £420,000 annually granted for the fortifications (which will probably be stopped long before they are completed), we shall be over the mark if we put down as £1,500,000 per annum the charge for public works which the English Finance Minister has to provide for before he speaks of a surplus or deficit.* . . . . . .

In order that our accounts may tally with the composition of the English State accounts . . . we get the following result as the true income and revenue account for political and administrative purposes in India in 1868-9 :—

Total Income	£48,586,900
Total current Expenditure, including £1,096,560 for Public Buildings, &c. ...	42,613,350
Actual Surplus of the Indian Revenue per estimate in 1868-9	£5,973,650

Of course, the estimates show the gross amounts, but as the cost and results of collection appear on each side of the account, the comparison with the nett accounts would show a similarly convincing proof that the popular impressions which obtain at home, and here also in some quarters, as to the "chronic deficits" of the India revenue are an utter delusion. The sum which we have allowed for public buildings may be a little less or more in proportion than the amount for similar purposes usually borne by the Budget at home; but as a statement of the relative financial position of the two countries, we contend that Indian statesmen have a right to claim every credit that is fairly due in presenting a surplus of £6,000,000 of revenue over current expenditure. . . . . .

Hence there is scope for considerable increase in the loan transactions of the Indian Government—provided only that the money is utilized for purposes that are essentially reproductive or permanently useful, and that in each case some settled provision is made for repayment. The Viceroy may do well to deprecate an indiscriminate increase of the Indian debt, which no one desires; but he does ill if he enunciates sage counsels of that kind by way of apology for hesitation and delay in the prosecution of long-needed public works. His Excellency, in uttering those safe platitudes, was only following the lead of Mr. Massey, "who deprecated the intrusion into our financial system of the dangerous principle of dealing with any part of our annual charge by loan"—as though this were not done at home in every instance (*e.g.*, the fortifications)—whenever the transactions that enter into account are similar to the Public Works charges of India. It was permissible for an English financier, and especially for a retiring one, to enunciate that popular sophism; but an experienced Indian statesman like the Viceroy should have taken a larger view, and disdained to repeat what, at the bottom, is but an indolent excuse for not resolutely grappling with the question of irrigation and other urgently needed public works.*

We are somewhat unwilling to glance at the details of the financial statement, as some of the arguments by which Mr. Massey enforced his "determination to part with no existing source of revenue" appeared to us singularly unhappy. Take, for instance, the honourable gentleman's notable "facts," that, whereas in the year before he raised the export duty on grain, the value exported amounted to thirty-four lakhs, but since the imposition of one anna more the export has risen to sixty-four lakhs. Was there no one to remind Mr. Massey of the fact that the former year was part of a period of famine? With regard to the increased scale of stamp duties, . . . other remarks of Mr. Massey's also indicated his willingness to revise the new tax upon justice; but he must have been speaking in a cynical vein when he alleged that the new scale of stamp duties was "based on sound principles," though all great jurists, except Mr. Maine, have concurred in thinking that as a question of principle, such taxes are always reprehensible. It is with regret that

* For a fuller exposition of this subject of loans for permanent public works, see pp. 332-4.

we cannot adequately express, that we observe Mr. Maine coming forward with ingenious —but, with deference we add, superficial—excuses in favour of this £500,000 of revenue gained by the new law taxes. Of course, the dignified legal member is not moved by any paltry financial considerations in defending this ill-judged impost. His pleas are based upon the impatient desire to gain some royal road towards lessening litigation; and he adduces as one excuse for fining litigants beforehand, that more than half the criminal plaints in Bengal were withdrawn before trial. To find such an able man reduced to the necessity of bringing forward a plea of this kind is equivalent to confessing that the measure is one defensible only under the extremest pressure of fiscal exigencies. It was satisfactory to observe that the representative of Bombay again opposed the revised scale, but it is to be desired that the Local Government here had done a little more to strengthen Mr. Shaw Stewart's hands.—*March* 27, 1868.

CONSTRUCTING PUBLIC WORKS OUT OF CURRENT REVENUES: A BLUNDERING POLICY.

IN a recent number the *Money Market Review* gave a list (not complete) of the great variety of Indian loans and stocks, of which portions of all—under the facilities for endorsement and by use as forms of remittance—get into service as investments at home. The writer pointed out how confusing and, therefore, depreciatory as regards the divers securities themselves, is the effect of the endless variety of dates and rates of interest borne by the different class of rupee paper and debentures. He concluded thus:—"Consolidation and unification are unquestionably the improved conditions into which they must ultimately be brought; and, under such measures of improvement, if Three per Cent. Consols can in this country maintain a price ranging from 93 to 95, a consolidated Indian Four per Cent. Stock should verge closely upon par, as was the case with the present Rupee Four per Cent. Loans under the *regimé* of the old East India Company."

But this City authority appears, in passing to the latter part of this sentence, to confound form with substance—a mistake the less excusable because he had just explained that the much lower range of prices borne in the London market by the rupee paper represents the charge for remittance, which is not required in the case of guaranteed railway shares and the old "India Stock." The oversight of the writer is still more to be remarked upon when, taking the price of Consols as a standard, he assumes that Indian four per cent. loans might ordinarily range at par at home. There is no doubt whatever that such *might* be the case, and that all difference—enormous in the aggregate amount—between the 90 to 92 at which the last loan was raised here, and the 100 at which the India four per cent. "Stock" is quoted, at home, is so much flung away in deference to the clumsy and short-sighted maxims which obtain both with the Supreme and Home Governments in regard to Indian finance. . . . . .

While India is thirsting for British capital—which to her means irrigation works, railways, canals, and harbours—the London Stock Exchange, as we have seen, is supplying every foreign customer that can make out a case for a loan. It is true that, because of the greater uncertainty and risk, the terms on which English investors go into Russian, Brazilian, or Spanish loans are very different from those which they would hope to make with the Secretary of State for an Indian guaranteed loan. And probably there may be something in the extra commissions obtained by London bankers and financiers who introduce the foreign customers to the English market, which to some extent may explain the facility with which bold enterprising foreign speculators replenish their coffers from the savings of British industry and commerce. . . . . .

Nearly the whole of the "enormous progress" which superficial observers place to the credit of Russia is due to the acquisition by her of British capital, and that at a rate, say, three times more onerous than it could be obtained by India if permitted by her short-sighted rulers. The total debt of Russia, including her inconvertible paper currency, is £280,000,000; and of this nearly a fifth has been contracted since 1863. That does not include the recent loan of £11,000,000 received coldly three months since on the London Exchange, but which was eventually taken up, if not all of it in England, at any rate in Western Europe, by the agency of one of the leading English firms. Of the £60,000,000 thus drained from Western Europe within the last five years a large proportion

must have gone from England, for "all the Russian railway companies quoted in the *Times*, with a single exception, are guaranteed by the Government and built under its patronage, consequently with the single view of serving its own purposes." The deficits of this Government, which borrows British capital on such a royal scale, have during the last five or six years amounted to an aggregate of £14,000,000. This is shown by a writer in the *Fortnightly* on a comparison of the official statements of the "general receipts and expenses of the Empire." It might not be difficult to show that, were the "general expenses of the Indian Empire" confined to the same items as in the Russian Budget, the Indian revenue has during the same period shown an aggregate surplus amounting to as much as the Russian deficits. And yet the solvent and prospering Indian Government, so far from having its loans for general purposes (like the recent one) guaranteed by Imperial authority, is not even allowed to try its own credit in borrowing for barracks and Public Works purposes on the London Stock Exchange, whence the retrograde exchequer of the Czar is freely replenished according to the law of supply and demand. Verily, we are a great people! No doubt shrewd Russian statesmen think so, when they see the Indian Government compelled to borrow in the dear money market of India, thereby leaving more English capital for them to play upon. This will deepen the impression of our sagacity which they have long since received, from observing how some of our Indian papers, aided by occasional spurts of traditional jealousy at home, have given to their intermittent and exhausting operations in Central Asia an importance even beyond the illusions which have been dexterously developed in their own official reports from Turkestan.*—*July* 17, 1869.

How it Looks from the European Standpoint.

II.—What is "ordinary expenditure" as the term is understood "in the money markets of the world"? Whilst we are publishing to the four winds the woful state of our impecuniosity, and proclaiming that our financiers are not to be trusted, what is the actual state of things? How do the Indian finances compare with those of countries which are in favour in the money markets of the world—with the balance-sheets of England or the United States, or with those of France or Russia? We observe that the actual net Indian revenue of 1868-9 was £48,500,000, deducting the receipts from public works. This is an increase of income of about £4,000,000 in six years. And what was the actual expenditure—if we deduct public works, as must be done if we are to do justice to India in "the money markets of the world"? We find that the ordinary expenditure of the Indian Government—for all the expenses of regular administration, including, perhaps, the most costly military establishment in the world—were barely £43,250,000, showing a "surplus," in the European sense of the word, of £5,000,000 sterling even in this extravagant year of the Budget breakdown. We are quite aware that this Public Works expenditure has become part of the system of Indian government; that, except in a revolutionary time like the Mutiny, it cannot be stopped, and that the works cannot be sold off and turned into money. Neither can the public works in England, the result of the private enterprise or the efforts of municipalities, be turned to account on behalf of Imperial exchequer; but they form part of the tangible resources of the nation, and as such go to sustain its public credit. It is only reasonable that these resources should be taken some account of in Indian finance, and that when reference is made to "the money markets of the world," this enormous current outlay in improving our estate should be remembered by

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* In linking together these two extracts, one object is to induce study of a true and a false loan policy for India, and to bring out the essential difference between debt incurred for military and other unproductive purposes, and borrowing for expenditure on productive public works, instead of vainly attempting to obtain funds for this latter purpose by dear loans on India, or by extra taxation in that impecunious country. Since the above was written (in 1868-9) the amount of debt under both heads has largely increased. At that period the amount of general debt was rather over £96,000,000 and the railway capital £84,000,000. The general debt is now nearly £170,000,000, and the railway account over £150,000,000. This enormous increase in debt incurred for military and other unproductive expenditure is mainly due to the aggressive policy in Afghanistan wantonly entered upon in 1876-8, and since followed up by the invasion of Upper Burmah, and destruction of the native dynasty. This policy necessarily cripples the application of that advocated in the above extracts — namely, the borrowing of cheap funds in Europe for outlay on productive public works in India. It may not be too late yet to reverse the course—to peremptorily check the growth of profligate military expenditure and wasteful debt, and to encourage the utilisation of cheap borrowed capital for productive works.

the guardians of our credit. In France and Russia many public works are undertaken by the State; but their financiers take good care to let the world know it. In paragraph 69 of the despatch, the Indian Government, with a laudable desire to make the worst of things, points out to His Grace that, "during the last three years, there has been a constant deficit, the average amount of which has exceeded £1,900,000." Now, it was proper enough to speak to the Indian Secretary in these formal and conventional terms, for he would himself supply the facts on the other side, remembering which, the dread word "deficit" would convey to his mind a very different impression from that which it will produce on Mr. Gladstone, for instance, with his wholly English experience. There is, we admit, a time and place for everything even in a despatch. It was not needful that our "constant" sinking of revenue on capital account should be mentioned in the same breath with our "constant deficit," on which the English press will have to harp through all the gloomy month of November; but in the two closing paragraphs of the despatch a place should have been found in which to mention that fact *per contra*. In the scant space in which the Viceroy is allowed to express the few hopeful thoughts that are left to him after the melancholy disclosures he has had to make, reference is permitted to "the enriching and civilizing effects of the great railway and irrigation works." This may fairly be understood to include roads, harbours, and civil buildings, which have also "enriched and civilized" the land, to say nothing of the military works which should by this time have guaranteed the security of our State and nation. But this scant recognition of the great fact which differentiates the financial statements of India from those of England will be lost on the Press at home. It would have been easy to remark parenthetically, that the "constant deficit" so carefully specified in figures, is far outweighed by one item of extraneous and really remunerative expenditure not appearing in the English budgets. The period since 1862 has been called "the era of deficits;" but in these eight years the expenditure on public works, only a small portion of which has been raised by loan, has amounted to £43,226,574, or an average of £5,500,000 per annum. The country that does this may have an inefficient finance department, indolent Finance Ministers, and blundering budget-makers; but its real pecuniary position, as compared with almost any other nation, is hale and vigorous. India has no need to hang her head like a bulrush before "the money markets of the world." In the "Public Works" circular more justice is done to the actual state of Indian affairs than in the despatch. In paragraph 20, after reviewing the vast efforts that are made year after year for the national improvement of the country, it is emphatically remarked, "The Government of India believe it may be affirmed that such a position has scarcely ever before been assumed by any other country in the world."

Having gone so far in enunciating sound and business-like views on this, the central question of financial administration, it is to be regretted that the Supreme Government had not the courage to go a step further. They should have struck against the reactionary fiat by which Sir Stafford Northcote compelled them to build the costly permanent barracks out of current revenue—an interference with our finances to which the present difficulty is largely attributable. Instead of this, in their prospective review of expenditure, Government deliberately re-appropriate £1,000,000 of current revenue to barrack building or "non-productive works." Whilst we would not have the sounder policy carried out by means of Budget blunders, we cannot but regret to observe the deliberate adoption of, or, rather, the passive submission to, so lavish and improvident an expenditure of the people's resources.*—*October* 14, 1869.

THE ABYSSINIAN EXPEDITION EXPENDITURE.

THE step gained and the precedent established, when the Home Government undertook to defray the cost of the Abyssinian Expedition, mark an important stage in our financial history. Finance is the pith of Indian politics, and great discredit will attach to any Indian statesmen who should consent to relax one iota of the principle now established in this new historical instance. No doubt there are English politicians who fear that India is quite capable of stealing a march on the Home Treasury. Of course, this is entirely an imaginary fear; but we cannot wonder that the Cabinet which sought to place "the standard of St. George on the mountains of Rasselas" took measures beforehand to keep an eye on the outlay required in Bombay. It may be remembered that in November 1867 we published an extract from a Treasury minute in which were defined the duties

of the gentleman sent out by the British Government to co-operate with the officers of the Bombay Government in making up the necessary accounts of the Abyssinian Expedition. This trusty servant of the Crown (Mr. C. Turner) had previously been on duty in India, having in 1863 accompanied Messrs. Foster and Whiffen in their mission to revise and recast the system of account then obtaining in this country. He was thus well adapted to work with the Account and Audit Offices in India in the very laborious task of selecting and classifying the items of Abyssinian outlay debitable to India, and those chargeable to Home. In November 1867, when the Pioneer Force had only just sent news of their having landed, no one had formed an adequate conception of the ultimate cost of liberating the captives; though when Mr. Disraeli offered to the House his confident guess of £3,000,000, people in Bombay received the estimate with a smile. Before Sir Robert Napier left Bombay at the close of the year, the necessity of very heavy outlay had become apparent. Within three months from the Pioneer Force landing at Zoula, an immense fleet of transports, certainly the largest number ever taken up for any modern expedition, had been chartered at Bombay and Calcutta, exclusive of the large steamers sent out from England. At that time a rough estimate showed that the cost of sea transport alone, together with outlay for coal, would not amount to less than £550,000 per month. This statement having appeared in our columns, was transmitted home in the usual course by Reuter's agency, and caused considerable dismay amongst the supporters of the Ministry. While assiduously reaping all the popularity yielded by the expedition, they were anything but desirous of incurring the odium which pursues any party responsible for heavy taxation. . . . . .

By way of dissipating some vague ideas on the whole subject of these Abyssinian charges, we present an approximate abstract of the whole outlay originating on this side of Suez, and which has had to be brought to account, checked, classified, and finally made up at Bombay. These figures are not numerically exact, but the totals will, we believe, prove to be tolerably near the figures that may adorn the final pages of the Blue-book, which—if the Queen's Printers use great exertions—may be published by the close of the session :—

Abstract.

1.	Hire and Fittings of Transports	£3,250,000*
2.	Coal	350,000
3.	Purchase of Animals	500,000
4.	Supplies of Provisions and Commissariat Stores	500,000
5.	Forage for Animals	500,000
6.	Regimental Charges, including donation batta	250,000
7.	Commissariat and Transport Train Establishments	250,000
8.	Carriage of Stores by Shohos, &c., in Abyssinia	200,000
9.	Pressing Hay, Shipping and Landing Returned Stores...	170,000
10.	Ordnance Stores	130,000
11.	Warm Clothing for Troops in Abyssinia	200,000
12.	Other Services...	320,000
	Total of Charges for which detailed accounts have been rendered ...	£6,620,000
	Charges yet to come in, about	200,000
	Grand total paid east of Suez	£6,820,000

As to the numerical extent and actual bulk of these multitudinous records and vouchers, the most avaricious of political "Gradgrinds" would be satisfied, and that exacting economist, Mr. White, of Brighton, will be abashed into submission when he is informed of the cubic contents of the Abyssinian accounts. Only a few mails back, a parcel of them sent by the Peninsular and Oriental weighed nearly a hundredweight and a half. Sir Richard Temple in his Budget speech referred to the prompt collection and early transmission of those accounts as a striking proof of increased efficiency under the new system in this country. The addition to the current office work in this Presidency—of which, on his recent visit here, Sir Richard became fully aware—has been so enormous that some public recognition of it was only due from him; but it must be remembered that the bulk of the work and responsibility has fallen on the Home Treasury officer, Mr. Turner, without whose continuous exertions and experienced aid no settlement would have been arrived at for months to come.

* About one-fourth of this item was paid in Calcutta; and considerably over £1,000,000 of the tota expenditure was incurred by and paid in Calcutta, the Punjab, and Madras Presidencies.

It is quite likely that the Home Government, by having an agent on the spot, has been able to throw back on the Indian revenues several odd lakhs of charges which otherwise would have passed unnoticed in the big bill against the British Treasury; but we cannot complain of this. Sir Henry Rawlinson's reprehensible attempt to throw on India half the charge for this British campaign was so signally and distinctly frustrated in the House of Commons itself, that we may rest assured the days of such political looting are gone for ever. Being assured of this, the Indian authorities could well afford to give the representative of the English Treasury every needful aid in separating British from Indian charges, and in apportioning the items respectively due to each. That this often intricate and sometimes delicate task has been got through with so little friction, must be due in great measure to the personal suitability and tact of the officer selected for this mission by the late Government in September 1867. . . . In following the instructions given him by that Government, Mr. Turner has guarded the interests of the Exchequer as vigilantly as even the present Premier could desire, with all his chronic and delusive suspicion of India's proneness to indent on the British taxpayer. And the service done to India in thus obtaining a prompt and final arrangement of all possible disputed claims is no slight one, as our Finance Minister has admitted; while this result will be appreciated by no one more than by Sir Seymour Fitzgerald, on whom has fallen much responsibility, and who has naturally taken great interest in the adjustment and completion of the Abyssinian accounts.—*April*, 1869.

THE HOME CHARGES: SUPERFICIAL AND SUBSTANTIAL.

MR. E. HAMILTON, new Member of Parliament, wishing to try his voice in the House, and in the lack of more useful subject, asks Mr. Grant Duff "whether he was aware that considerable dissatisfaction existed in India at the want of detail in the account of home charges." The Under-Secretary was so obliging as to admit that "he believed some dissatisfaction did exist in India," on the subject, but added that such dissatisfaction "was founded on a misconception as to the amount of information actually furnished respecting the home charges." He intimated that the Indian Government had made no complaint, thereby going far to prove it a very unsubstantial one. The fact is, as in so many instances of vague complaint re-echoed at home respecting Indian affairs, the term "in India" in this case really stood for one or two Calcutta writers, more especially the Calcutta correspondent of the *Times*. . . . Supposing there had been any deficiency as to the details of this £6,000,000 or £7,000,000 of Indian revenue spent in England, that is a very trivial matter compared with questions as to whether the whole of that drain on the annual savings of India is a just and inevitable charge, or whether the policy of attracting European capital to this country, to compensate for what is an inevitable effect of foreign rule, might not be far more freely developed than has yet been attempted. . . . . .

One of our contemporaries which should have known better, the *Pioneer*, when chiming in with this clamour for details "founded on a misconception," made some smart remark to the effect that on the contents of the home accounts might hang the question for us of income-tax or exemption. This is very true; but any time since "21 and 22 of Victoria" there has been ample material presented in these accounts on which the new found zeal of our eastern contemporaries might have been profitably expended. Instead of this anxiety for cheeseparing criticism, instead of wishing to know whether a few thousand pounds worth of stores have been sent one year in excess of another, and whether too much is spent on cadets at Chatham or assistant surgeons at Netley, let them go to the root of the matter. It has always been open to them to discuss—whether it is just that this country, any more than the colonies in the case of the Colonial Office, should pay the whole salary and establishment of the Cabinet Minister who is designated Secretary of State for India; whether it is fair that these revenues should defray the total cost of one of the finest public buildings in London, called the India Office; whether, of the £3,000,000 or £4,000,000 annually expended in England for Indian military charges, it is just and decent that every penny, including the cost of the depôts which form part of the English garrison, should be drawn from the "Bengal ryot" or income-taxed journalists in this country. All these large questions, involving debateable charges sufficient to absorb two or three of our income-taxes, were awaiting the criticism of the able editors who, while labouring under "a misconception," were spending their strength on the merest outworks of the citadel of home

charges. Had they discussed the undue charges which India has to sustain for the Postal service, the cost of the Persian Legation, and that of Her Majesty's establishments in China —items that regularly appear in every yearly home account—there would have been something substantial and useful as an object for their efforts; but for the Calcutta correspondent of the *Times* to affect a national Indian agitation because, as he mistakenly supposed, the details of those charges are not available—

> "Resembles ocean into tempest toss'd
> To waft a feather or to drown a fly."

Probably our contemporaries who made such a fuss about the shadow of this important financial question, fought shy of its substance lest they should be accused of "meddling with politics." That reproach has generally been flung at those who may have attempted to get justice done by a powerful class or country towards its subordinates or dependants—in this case, from England towards India. It is a term of mild social opprobrium which has deterred many weak good people from doing their duty in the world. We will not now press our two or three contemporaries, forming the "India" represented by Mr. Hamilton, to undertake the distasteful task of going to the bottom of the subject over the surface of which they skimmed; but if ever seriously inclined to examine into the economic consequences flowing from the Government of India by a European Power, or desirous of seeing the home charges adjusted on the basis of equity, we offer them, as a clue for their disinterested research, a single sentence by an old Bombay officer, now Sir George Wingate: "In defining the future financial relations of India and Great Britain, it would seem to be a most just and equitable arrangement to require each country to furnish that portion of the total cost of Government which is expended within its own limits and goes to the support of its own industry." . . . . . .

The only limits to the profitable introduction of European capital into this country through the agency of Government are the quantity of skill and labour available. The former can, like the capital, be gradually introduced to any extent; and labour, though limited, is yet abundant, and might be utilized and economised by organisation. Yet nothing commensurate with the urgent need of India is being done to supply these great wants. It is, indeed, rumoured that Earl Mayo is the harbinger of a mighty Public Works programme, of which the first item is the expenditure between now and 1990 of £100,000,000 on railways; but nothing is known for certain about this. No measures are taken towards obtaining the vast funds that India could employ with multiform advantage to England, and with incalculable blessing to herself. Meantime, Russia, commonly regarded as our rival, and struggling or disreputable Governments all over the world, are drawing off all the spare cash they can glean from the English market. Amongst "The Three Clear Things about the Money Market," on May 1st, the *Economist* was telling its leaders that "foreign nations are evidently coming for money while they can get it. They see that the end of the full time is come, and they are not sure but that a scarce time may soon supervene." But India has not gone "for money whilst she could get it" on the best terms; she has not been allowed. Her Government has looked on supinely, whilst the Finance Minister takes up a large loan in India where capital is scarce, instead of at home, where it is, or rather has been, plentiful. If our eastern contemporaries would aid us in superseding this anomalous and improvident financial policy, they might safely leave trifling details of account to the accountants.—*June* 4, 1869.

SIR RICHARD TEMPLE'S DEFICIT: THOSE COSTLY BARRACKS.

THE "Secret Society" of Simla—we beg pardon, the Supreme Government of India—still contents itself in the matter of the new deficit with circulating general resolutions and snubbing local Governments. If the subordinate authorities had been responsible for the muddling under which the Finance department has endeavoured to meet heavy permanent charges out of cash from the till, and has appropriated loans for hand-to-mouth expenditure —and if to the Governors of Presidencies and provinces had pertained the sanction and control of the large items of Imperial outlay, such as military expenditure, irrigation, barracks, and indents on Home,—there would be some consistency in the Supreme Government's reticence and peremptory orders to reduce every kind of outlay without distinction. If the subordinate authorities had made the holes, they would have some chance to know where to begin in filling them up. . . . . .

It is a primary rule in economising, or, to speak more precisely, in carrying out an enforced retrenchment, that to produce an appreciable effect, the large items must be attacked first. We think it is Emerson in his "Conduct of Life"—when discoursing on reducing domestic or personal expenditure within the limit inexorably imposed by income—who remarks on the futility of small petty economies in the necessaries of life. He advises to look out for some larger outlay, which, though the well-to-do householder may have cause to think it needful, can by dint of resolute self-denial be dispensed with. "Let him," he says, "put down the carriage," or "take a less expensive house," rather than ruin the peace of his family, and cripple his own energies, by a perpetual round of small, vexatious savings. The precepts of "Poor Richard's Almanac" warn us against unobserved rills of wanton waste; and we would have the Supreme Government stoop to revise its printing, its stationery, its telegrams, and its chuprassies; but what are these in face of a deficit of 8,000,000? Or, to come within practical discussion, what will these painful but proper clippings and parings do to stem a growing deficit during the current year already declared to be a certain £2,000,000? On cause being fairly shown, we quite believe the subordinate administrations will do their duty to aid the Government of India in meeting the exigency that has arisen; but the results of all their straining will be trivial compared with what their preceptors might effect. In short, the Supreme Government must "put down its carriage." What this is must be plain enough: it is that luxury spoken of by Mr. Grant Duff as "the last expression of sanitary science in lime and stone"—those "noble structures," as said Sir Richard Temple, "providing for the married and unmarried soldiers quarters equal to the best in any country." It is very desirable that India should keep such a "carriage," but we need not just now meddle with the considerations which underlie the scheme of the barracks. . . . . .

It is not difficult to trace how this barrack charge has come to tyrannise over the Budget; though as yet there is no explanation as to how this, or any other properly budgeted charge, could encroach upon the cash balances or unappropriated loan funds. . . . . .

We will now look at Sir R. Temple's treatment of this ever growing charge. In his Budget speech occurs the following very clear exposition of the scheme and its position:—

As explained by my predecessor last year, the scheme for new barracks for European troops throughout India was to cost from £10,000,000 to £11,000,000, and the work was to be done in a period of five years. It is hoped that the estimated cost may not be materially exceeded, but to secure this result, the most *unremitting vigilance* will be needed. Be this as it may, however, the period of construction will certainly be prolonged, for the five years have now elapsed, but the work is *not half* done; and out of the £10,000,000 only £5,000,000 have been spent, leaving at least £5,000,000 yet to be laid out. But the designs had to be elaborated by the best military engineers in India, and then sent to the first sanitary authorities in England for approval. Then new sites had to be selected after long inquiry as to the salubrity and the like. Thus, despite every care and anxiety to push on the work, the progress for the first few years was not rapid. More recently, however, the plans having become finally settled, and the establishments fully organized, *great progress* has been made, and during the current year no less than £1,500,000 is being expended on these buildings.

This passage bears witness to Sir Richard's acuteness. He evidently saw that the "full organisation," having been set free to go ahead with "finally settled plans," would make the money fly, and would require to be kept in by the tightest reins of Budget grant and sanction. Had he but possessed a little more of the invaluable quality of "exceptional official persistence," he would have made the discovery—fallen upon by his acting successor, Mr. John Strachey—that Mr. Massey's "pressure of a very formidable character" had already assumed unmanageable strength, and he would have had the satisfaction of being here to meet the gainsayers who, in his absence, visit on him the sins of oversight and omission which belong in equal measure to his predecessors and colleague. The fact is, the late Viceroy and all his associates—besides, of course, the high military and sanitary authorities—took so great pride in this family coach they had set up, the splendid barracks, that they refused to notice its cost in the household accounts. Even now they wink very hard, and are willing to fix the blame on anything else—on Home charges, on relief works, or, better still, on these reprobate subordinate Governments. This reticence cannot last long. . . . . .

There is no need for the present purpose to re-open the questions of which this grand barrack scheme is supposed to be the solution; but we will call one witness in favour of pausing awhile until its sanitary and economical value may be tested. In the debate

following Mr. Grant Duff's speech Sir Charles Wingfield spoke as follows on this topic:—

"With respect to barrack expenditure, he feared that many of the sites which had been declared to have every sanitary qualification would be found to be unhealthy, and consequently be abandoned. He did not believe that in India health was promoted by mere solidity of construction. The great want in that country was of cubical space and a current of air, and mud walls and a thatched roof were cooler than stone or brick buildings. Where the barracks now in course of construction were likely to last some time, and where there were also military stations, the works *might be suspended*, and the Exchequer saved from any further outlay *at present*. There were fifty-one places in India where barracks were either built or building. Some were only seventy miles distant from each other, and it was worthy of consideration whether some concentration were not possible. He should like to see a return of the outlay in building barracks since the Mutiny. They had been a most frightful drain on the resources of India. He believed that the expenditure from this source was not less than £15,000 [millions?] up to the present time."

That is the step obviously required—to stop "any further outlay at present." Let the Supreme Government consent to "put down the carriage," and the subordinate members of the household will cheerfully curtail any superfluities there may be in the routine of petty expenditure."—*Oct. 6, 1869.*

II.—Is there a "blunder in the Budget"? Or has there been an excess in the actual expenditure of 1868-9 over the "regular estimate" as stated by Sir R. Temple in the first week of March last? This last is, we suppose, what has taken place, unless there have been some clerical errors in the figures furnished to the Finance Minister. In the improved condition of the Accounts department it is not likely that any very serious mistake can have occurred; and we are almost shut up to the conclusion that either the income fell off unexpectedly during the last four months of 1868-9, or that the expenditure increased during that time at a rate quite unsuspected whilst Sir Richard was speaking. There is, again, what is but another form of the latter supposition—had the expenditure during the eight months been fairly brought to current account, or considerable outlay, really incurred before last November, had been left to drift over into the four months left for guess-work? This, we suspect, is exactly what has happened; and it is tolerably plain that the deficit, or increase, or mistake, that has occurred in the four months of the last financial year is mainly due to expenditure on barracks. There has been some tardily confessed excess in the Home charges; but, though this will very justly evoke criticism, both as to the principle and extent of that extra Indian outlay, the actual amount under that head will form but a very small proportion of the unseasonable "deficit" which is said to have caused "a very grave financial crisis." Public Works expenditure claims the lion's share of this spoil from our current resources; and, according to our present apprehension, nearly the whole of that share must be attributed to the outlay on the palatial barracks, which, in reversal of Mr. Massey's and the Government of India's wish, was, by Sir Stafford Northcote's decision, put back under the head of Public Works Ordinary. This item figured in the "regular estimate" at nearly £6,000,000. . . . . .

The more serious matter is that another deficit, already announced, is working itself out for the current year over the Budget estimate of 1869-70. The two deficiencies are rolled into one, and we are threatened with reduction or taxation to make up the £4,250,000. The fairness of this is not quite apparent, seeing that it is the financial cooks themselves who now take the country unaware by calling out that they have let the pan boil over. Sir Richard, in his blandest manner last March, showed us for the current year a neat little surplus of £52,680. Nothing better could be desired, and now, before half the year has gone, his subordinate and associates tell us, all that has gone and nearly £2,000,000 besides. To say the least, this is disappointing and perplexing, and, also, a little too bad. There has been a blunder or worse somewhere, and the tax-paying public has a right to know where. We can quite believe that the scarcity in northern India, which has reacted on the import trade of Bombay and, no doubt, of Calcutta also, will have tended to reduce the income from Customs and Excise. The relief operations must also tell on the expenditure side; but the greater portion of the £2,000,000 is probably due to the same causes as the falling off in 1868-9—namely, excess in Home charges and Public Works expenditure. Again, we surmise, this last item of excess is mainly to be referred to outlay on the costly perma-

nent barracks which, with extraordinary perversity, the Government of India is striving to build out of current revenues. It is this which is the real "tyranny of the Public Works Department." This is the iron yoke that galls the bearers of burdens and checks smaller but more productive expenditure. . . . . .

Seeing that the Duke of Argyll has turned a deaf ear to the Government of India's proposals to bonus off the general duty officer, and to check the steady, heavy increase in useless expenditure on the Staff Corps, the Viceroy may hold himself excused from attempting anything in the way of reducing military expenditure; though it is asserted that H.E. Sir W. Mansfield has orders to retrench wherever he can find a leafy bough for the pruning knife.

Proposals of this kind are like beating the bush when the game is in view. This deficit is partly caused, we believe, by lavish expenditure on Indian account at home; but it is in still larger proportion owing to the vigorous prosecution of costly barracks buildings. Let, then, the Supreme Government march straight up to its difficulty. The barracks scheme might be suspended for six months, or a year, without detriment to the complete plan on which the late Viceroy had set his heart. We have melancholy proof in the North-west Provinces and elsewhere that these scientifically constructed habitations are not cholera-proof. Whilst the new barracks are waiting the much desired equilibrium of the finances the death-rate may be kept down by a little extra judiciously laid out current expenditure. As to the extravagance of the Secretary of State and his Council, we should like to hear more particulars; and at any rate, the Viceroy has men about him who would support most determined protests against needless outlay at home. But there is one radical and permanent cure for these complaints against the Home expenditure. Let our contemporaries, who are indignant as to "the form in which the Home accounts are rendered," go a step further. Let them join us in a demand—which we think the Supreme Government ought long since to have made—that one-fourth or one-third of the Indian Home charges shall be borne by the English exchequer. That will settle all complaints about the Home charges; for India would then have a vigilant and interested guardian in every English M.P.—*Dec.* 29, 1869.

DECENTRALISATION OF PROVINCIAL FINANCE.*

FREQUENTLY has it happened, and, with our national unreadiness, must often again occur, that important political and administrative proposals, neglected in quiet times when deliberate examination could have been bestowed upon them, have to be considered in a hurry, and carried into effect clumsily or by piecemeal. So we believe will it prove with the proposals made in the latter half of 1867 towards relieving the Supreme Government of its impracticable function of apportioning the details of local expenditure, and for emancipating our provincial administrations from irritating and futile control. Those proposals, though approved by a majority of the Executive Council, were opposed by Sir Henry Durand, and on more substantial grounds by Sir John Lawrence. The Viceroy's vehement opposition could not, we think, have alone sufficed to arrest the progress of the promising discussion. The argument for change made out by the majority of the Government of India—supported as it was by the skilful dialectics of Sir William Mansfield and the heavier metal of Mr. Maine's comprehensive reasoning—could not have been shelved had Mr. Massey been as industrious and persevering as he is ingenious and talented, and if the Secretary of State had been vigorous enough to overcome the conservatism of the conscript fathers at his Council Board, who still suppose that the entrance to India is by way of the Hooghly. Outward circumstances had also much to do with the shelving the question and the postponement of the project. The very men who, amongst home politicians, would have best appreciated a working scheme promising to open a broad highway through the tangled thicket of Indian administration, were absorbed in the struggles of English

* It is instructive to note the opposition to, and the delays that occurred before this valuable practical reform was initiated. At the close of 1870 it was at last adopted under Lord Mayo's Government, but in hesitating and timid fashion. Its scope was enlarged under Lord Northbrook, and the policy proved very successful; but, under the pressure of Afghan wars and Burmah annexation, the savings and improved revenues husbanded by the provincial authorities were ruthlessly appropriated in aid of the profligate expenditure of the Central—that is, the Supreme Government.

politics, and no help could then be obtained for Indian reforms. And about the time when in the slow evolution of Indian official discussion, the whole subject might have emerged into the daylight of open controversy, the Abyssinian expedition claimed all spare official energy in India as well as in England. . . . . .

Whilst there are certain notable reasons why a few officials, in whom Bengal provincialism is at once the ruling passion and the congenial chain, are likely to oppose the redistribution of revenues and financial responsibility, there can be no good ground for assuming that our Calcutta contemporaries will be insensible to the ultimate imperial advantages of local management of local charges. But the first step that is needed to insure a profitable public discussion is the publication of the minutes of 1867.

It may not be inappropriate, as we have used the Budget disclosures partly as a text, just to make a passing remark on the practical question, what is to be done? In our remarks two days ago we pointed to the costly new barracks as the direction in which the most can be done to "extinguish the deficit." There is nothing in the official statement which militates against that suggestion, but much that may be claimed in support of it. We go further, and express the opinion that if the Supreme Government really desire to "insure public confidence," it cannot do so without putting a stop for several months to the extravagant and uncontrollable expenditure on the huge barracks, while the engineer officers and employés whose services could not be dispensed with, though liberated from their non-productive labours, might, to a large extent, be transferred to reproductive works. The figures given in the Umballa telegram do not afford adequate data for comparison with the Budget statements to which they refer; but we shall have details soon enough. The total deficit now ascertained and shown as the figures stand is £2,516,362 on the "actuals" of 1868-9; and £1,780,052 on the estimate for 1869-70. Not the slightest intimation is given as to the chief directions in which the money has gone; nor is any light vouchsafed as to the objects in respect of which "large and immediate savings" are to be effected. It is idle for the Finance Minister to talk of "insuring public confidence" whilst he withholds information on these preliminary questions. As to the wretched expedient of raising the Salt-tax in the rest of India to the level of the Bengal rate, we must emphatically protest against that measure, more especially as the reduction to Bengal rates has long been regarded as a settled decision. The objections against an interim Income-tax are not essential, but, though only circumstantial, are very strong indeed. Should the Hon. Mr. Strachey persist in ignoring the lavish outlay on the barracks, and on some other items of military expenditure which the public has not the chance of criticising, and should he be determined to force through the odious surcharge on salt, and a perplexing, irritating, double Income-tax, it will probably be said of him that he is a man destitute of resource or originality, and, as such, quite unfitted for any continuous guidance of the financial fortunes of India.—*October* 8, 1869.

FINANCE OF THE BOMBAY PRESIDENCY:

The Issachar of the Indian Financial System.

IT is not too late to inquire what share this Presidency had in contributing to or diminishing the over-estimates and excesses which have gone to make up the Government of India's unseasonable deficit. The result of such an inquiry can, however, only be partial. The two largest items in account—Public Works and Military, the former of which is being made the scape-goat by our Supreme financiers—cannot be much, if at all, affected by the action of our local Government; but in respect of them we can at least state the actual outlay charged to the account of this Presidency. In these remarks it is only the "Regular" estimate that we propose to contrast with the "Actuals." That revised estimate was sent in by the Bombay Government, as by other local administrations, about the beginning of this year. It was then manipulated by Sir R. Temple and his clumsy artificers, and the more reprehensible blunders of which we have heard so much are grouped around the said "Regular" estimate. On behalf of the most moderate and determined of financiers, considerable latitude may be allowed in guessing the Indian income and expenditure fourteen months beforehand; but the public have a right to expect a tolerably close approximation to fact, when, as in the case of the "Regular estimate," the original guess is revised within three months of closing the period estimated for.

The total actual expenditure for 1868-9 under control of the Bombay Administration was Rs. 3,92,11,234 compared with the regular estimate of Rs. 3,79,84,796, showing an excess of a little under thirteen lakhs. But there was a much larger excess in the two extra-presidential items, as thus shown :—

	Regular Estimate.	Actual.
Military Department	Rs. 3,50,00,000	Rs. 4,15,63,030
Public Works Department	2,06,27,000	2,17,27,446
	Rs. 5,56,27,000	Rs. 6,32,90,476
Excess over Regular estimate		Rs. 76,63,476

But, as we have intimated, the military outlay through the treasuries of this Presidency is considerably more than represents its share of that Imperial charge, and it may be well to trace out a little further the contrasts between Bombay and all India in this year of deficit. If on the basis of population—the fairest ground of comparison for charges, if not for revenue also—we debit Bombay with one-eleventh share in expenses due to all India, we find the following results on the ascertained income and outlay for last year :—

INCOME under BOMBAY :—		
Administration—*i.e.*, Nett Revenue proper	£9,016,542	
Receipts P.W.D. and Military	1,893,827	
		£10,910,369
EXPENDITURE through Bombay Treasuries—*i.e.*—		
(*a*) Presidential Administration	£3,921,123	
(*b*) P.W.D. and Military, less £2,975,430 debitable to "Army in India"	3,353,603	
		7,274,726
Add—		
(*c*) Bombay's share of Home Charges	£77,843	
(*d*) Share of interest on Public Debts	263,447	
		341,290
Total Expenditure by and for Bombay		£7,634,219
Surplus yielded by Bombay in 1868-9		£3,294,353

There is here no account taken of Railway loans or expenditure, either Imperial or Presidential, so that in a rough way the surplus brought out shows unmistakably that Bombay provides and sustains more than its strictly proper share of national Indian expenditure. The deductions required to make the comparison exact are, the differences between the total Bombay receipts for Salt, Opium, and Customs, and that one-eleventh share of them—only due to her according to our apportionment of Imperial expenditure. Bombay collected, last year, of these items of revenue, an aggregate sum of £3,304,650, the total for all India being £16,734,360. Therefore, from the sum of those collections must be deducted the surplus as shown above, and the difference being taken from Bombay's fair share in those three items of Imperial revenue, will show our surplus of income over expenditure. Thus :—

Bombay Opium, Salt, and Customs Collections	£3,304,650
Deduct Surplus, as above, in 1868	3,294,353
Subtract	10,297
From 1-11th of Total Opium, Salt, and Customs	1,521,300
Surplus provided by Bombay towards the Revenues of India in the year of DEFICIT	£1,511,003

There should perhaps be some deduction from that total, inasmuch as we have retained to Bombay credit all its receipts under the heads of Military and Public Works; but, on the other hand, we have not taken credit for the considerable indirect contributions which, by dint of its unresting commercial activity, Bombay makes to the general revenues under the heads of Mint, Telegraph and Post Office. The receipts for mintage in Bombay (£86,420) were nearly half of what was received under that head for all India. That surplus of £1,500,000, after paying all the charges justly debitable to this Presidency, is worth looking at. We commend it to the attention of Sir Henry Durand or any other Olympian who may again be inclined to indite comminatory minutes against "the Government [of

Bombay] that has been treated with the greatest liberality, if not laxity, by the Government," and which is denounced by that Bengali administrator as "precisely that which has shown most disposition to evade, if not to oppose, the financial control of the central authority." It is not our cue to defend contumacy and official mutiny; but it may be well, in passing, to remind those who are just now severe on local administrators that if Bombay and other provinces show a surplus it means that another Presidency shows an enormous deficit. Year by year, the rest of India has to make up for the £2,000,000 or £3,000,000 of shortcoming which, on any principle of equitable computation, stands to the debit of Bengal.*

But let us revert to the inner line on which we were moving—the "Regular" and "Actual" of this Presidency for last year. We have seen that the estimate was over-sanguine by 21 lakhs; but on looking into the matter this can scarcely be adduced in disparagement of our local assessors. The wrong guess in opium alone exceeded the total discrepancy, there being a falling off of 44 lakhs between estimate in December, and actual as ascertained in July. The actuals of 1867-8 were also 55 more than last year. As we observe the deficiency under opium for all India is only £433,000, it becomes rather a pertinent question, whether or no the Bombay budget-makers, with their loss of 44 lakhs, are not to be held accountable for deranging the finances of the Empire? We believe they can clear themselves, and that nearly half this deficiency represents a surcharge arbitrarily clapped on in the hope of improving Sir R. Temple's Budget.

The opium revenue of the year before had actually reached £2,357,000, and the Commissioner of Customs thought 1868-9 would probably reach £2,131,200. As the result fell short of that sum by over £300,000, the Commissioner's guess cannot be regarded as a happy one; but the censure for half the over-estimate rests with the financiers at head-quarters. Their imprudence in that respect was, however, in great measure redeemed by the moderate estimates of the Bombay officials in other items. There is, indeed, a deficiency of five lakhs in the Bombay estimate of land revenue, and eight under "Law and Justice;" but we can point to a gain of three lakhs in Forest, four and a half in Abkaree, nine in Customs, nine in Salt, three in Marine, and five in Miscellaneous.

Under all the disadvantages of the present system, with its vain attempt to control from one remote centre all the finances of nine multiform provinces, there is evidence that, in those items of revenue and expenditure over which the Bombay Government has something approaching to an intelligent responsibility, there is a fair attempt to secure certainty and economy. It is not needful now to push further the conclusions that may be fairly drawn from the variety of facts and details we have here set forth; but it must be plain to the most bigoted advocate of centralisation that the present system tends to defeat its own object. No one can now dispute the principle, that all those revenues which are strictly provincial in their growth can be spent to best advantage, and can be best economised by those responsible for provincial administration.* But the carrying out of this principle will demand, in certain directions, the exercise of firmer and more impartial statesmanship than is met with in every decade in India.—*Nov.* 2, 1869.

SIR RICHARD TEMPLE'S BUNGLING BUDGETS:

Barracks and Home Military Expenditure.

BETWEEN the attitude of the Supreme Government towards the taxpayers, in October last and in this present month of February, there is an extraordinary contrast. Then, the Viceroy and his advisers were all frankness and confidence. Now, they are all reticence and distrust. The Budget is to be presented next month; but so complete is the secrecy maintained, so much is mystery affected, that the public might be forgiven for either extreme of credulity or suspicion. For anything that transpires beyond the narrow walls of the small committee-room—from which half-a-dozen gentlemen trained in eastern and northern India affect to govern this diversified Empire—we may either be

* See also, on these topics of unequal contribution, of decentralisation, and of provincial control, pp. 326-9, 340-1, 349-50.

on the eve of an aggravated deficit, or about to receive disclosures from Sir Richard Temple showing that his critics had blundered worse than himself, and that there is to be a surplus after all. There is no rational excuse for keeping the public in this state of utter uncertainty. The advisers of Earl Mayo took great credit to themselves, making meantime an *ad misericordiam* appeal to the Secretary of State, because of their unwonted openness and candour. No doubt it went sorely against the grain to take the public into viceregal confidence about its own affairs; but that common sense, though, unhappily, an exceptional course, had its reward. The Press was delighted, and could not too much admire a new Viceroy who could for a whole month push his Cabinet out of the grooves of bureaucracy; while the kind public, even that stiff-necked one of Calcutta, cheerfully bent its neck to the yoke of a 5o per cent. Income-tax surcharge. The stroke of policy served its turn; and since the new year we have once more swung back into the constant atmosphere of secrecy and distrust which, in all matters fiscal and financial, hangs like a pall between the Government of India and its own constituents. . . . . Since the Finance Minister returned to his post, the sober confidence which the public had acquired from having been treated like adult people has been dissipated. His elaborate review of the detected blunders for the existence of which his department was responsible, in no wise lessened their gravity, and he was unable to inspire confidence in his capacity for overcoming their effects or for preventing the recurrence of similar oversights. Sir Richard Temple has shown no inclination to imitate the outspoken policy adopted in his absence. . . . That the drawings of the Secretary of State have been intermitted is only a matter of account; though if India can find a spokesman in Parliament, it may be hoped that the "Home Charges" have received a check which will tell in the course of the forthcoming year. It was admitted by individual members of the Supreme Government, though not officially, that by far the greatest single cause of expenditure having outrun revenue, was to be found in the outlay on the costly permanent barracks; and it was understood that at any rate that severe hemorrhage would be immediately staunched. But no one can say that this has been done. The outlay on these extravagances has, no doubt, been kept better in hand during the last few months. . . . Further investigation and more mature consideration, both by medical authorities and practical men, have shown that even the sanitary benefits presumed to be secured by those massive structures elude our grasp as the capital expended is finally sunk, or are neutralized by evils from which the lowly chupper* and well-selected site are free. It is not only suitability and the value we get for our money that is here in qnestion; but there is the question of financial policy, involved in the strain on our current resources, by providing for these expensive structures out of revenue, that is neglected, or worse. Every one knows that in this matter the present Finance Minister deliberately chose the perverse, retrograde course of treating this eminently capital charge as one of current outlay, and that it was under his hands in this matter that the Indian Government weakly surrendered to the misgivings of Sir Stafford Northcote. . . . But the authorities, who are all-powerful to insist upon any series of small and injurious economies, are comparatively powerless to deal with the really large heads of expenditure; and they have not proposed to deduct even a temporary percentage from the salaries of Councillors, Governors, and Commanders-in-Chief. The cost of the Army is more than £16,000,000 sterling per annum—one-third of our whole current expenditure. When, in October, the Viceroy and his colleagues appealed to the public, they laid great stress on the necessity of making some large reductions in that direction. And what has come of it? The total deductions have now been announced (though not officially), and at most we do not see that much more than £500,000 will be saved—a retrenchment of half an anna in the rupee in by far the largest item of current expenditure! Patronage and class interest at home laugh to scorn our brave economists of the Supreme Government. There are military men who could show—and probably the Military department of the Supreme Government did show—how four or five times that amount might be saved without diminution of real efficiency; but the Indian Government, though so terrible to small fry of employés, so ruthless in cutting down "Agricultural"—*i.e.*, irrigation grants—has to pipe to a very small tune when it turns its efforts to the other end of the scale, where effort would really tell. It is bad enough for the public to have to wait until the close of next month before they can know what is to be done and what can be gained by dealing with the

* The thatched, single-storeyed, old-fashioned soldiers' quarters formerly used in most provinces of India.

expenditure side of the account. It is still worse to be kept in the dark concerning the whole range of questions that pertain to taxation, financial administration, loans, and debt. In no one of these branches of his high functions can the present Finance Minister inspire confidence. In his case, the secrecy and absurd reticence which it is the baneful custom to maintain can only excite distrust and apprehension. In these circumstances, the support of which Earl Mayo might be assured from an intelligent public opinion is denied him.—*Feb.* 15, 1870.

THE LARGE FINANCE: RAILWAY AND PUBLIC WORKS EXPLOITATION.

II.—In connection with the forthcoming Budget so many details have to be considered, so many corrections of corrections will have to be made, so many explanations and apologies will be forthcoming, that it will be too much to expect the Finance Minister to bestow much attention on the higher branches of his art. Had Sir Richard Temple ever displayed any special aptitude for such topics as the development of currency facilities, the management of debt, and economy of public obligations, or the means of utilising and forecasting the resources of State credit, it would be unreasonable to look for his dealing with any of these difficult matters in the Financial Statement on which his pen is now employed. The public have no right to ask more from him just now than that he shall prove himself up to the mark in every detail of the Budget, that he shall produce evidence of complete reform in the Financial Secretariat, so that we shall have heard the last of the reproach, that "Indians cannot count." . . . With his hands full of ordinary work, we must be content if he does that tolerably well, but the weightier matters to which we have alluded press for attention; and amongst Sir Richard's colleagues there are men who are not likely to neglect them. Sir William Mansfield, with all his repute as an authority in monetary science, should not be content to leave India without striking another stroke on behalf of a gold currency and the revision of the note system. Sir Henry Durand has manfully confessed the great shortcomings of the Indian Government in regard to communications; and he will be expected to show the best method of providing funds for the more rapid development of public works. In reference to the economy of loans and interest charges, and regulations to meet the coming increase of national obligations, the Hon. John Strachey will have opportunity to manifest those comprehensive financial views for which he has, somehow, gained credit without, as yet, having had the chance to put them before the public. Thus, if the Finance Minister will duly attend to his special business of looking after the odd thousands and marshalling the lakhs, there are plenty of statesmen at hand who will be at leisure to consider the crores. Some of them ought at this juncture to do what men can do towards defining the principles that must determine the financial fortunes of India during the rest of this century.

Amongst proposals of permanent importance which should claim attention before the ground is occupied by the details that will be thrown up in course of the Budget discussions, is one developed in the pamphlet, "Indian Railway and Indian Finance," published in this city a few months back. . . . No one now disputes the soundness of the decision, arrived at during the closing months of the late Viceroy's reign, that the funds for future Indian railways shall be obtained by direct loan from the home money market, so that the capital may be raised most economically, and all the profits from future traffic may accrue to the benefit of the State. The feasibility and advantage of Government purchasing the existing lines, are not quite so obvious, and the suggestion may be regarded in the light of a challenge to our official financiers. How is this to be done, and wherein shall the State profit thereby?* . . . . . .

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* Owing to the changes in Indian railway finance and organisation since the period referred to above, it seems desirable here to anticipate, by briefly comparing the present results with the forecast and proposals of the writer quoted in the text—Mr. John Hector, formerly of the Bank of Bengal. Though circumstances, then dimly foreseen, have rendered his anticipations more favourable than he dared to expect, his argument and calculations were then far in advance of the policy of the Government of India's railway bureau. 1. With regard to that option of purchase by the State, two very different results have since come about. In respect of three of the large guaranteed railways, the India Office, under the Duke of Argyll, most perversely renewed the contracts without consulting the Government of India. This wanton neglect of the interests of the Indian taxpayers provoked justly indignant remonstrance from Lord Mayo and his colleagues. On the other hand, the largest of all the guaranteed lines—the East Indian—was purchased, pursuant to a protracted and difficult negotiation successfully conducted by General Richard Strachey, R.E., on behalf of the Government of India. The results of this transaction

The contracts with the companies, though adverse to the Government, do reserve to it the option of purchasing the lines at 25, and again at 50 years after their opening. This is clogged with the condition that the rate of purchase shall be an average of the previous three years' market value of the several companies' shares. It is obvious that any well-founded expectation of Government buying out the lines would tend to expand the market rate indefinitely. The purchase of Indian railways would then become time-bargaining *in excelsis*. The conditions defeat themselves: moreover, the close of the first period of 25 years is too distant to make it worth while to begin to count upon any practical relief. It is just now that our financiers should show their skill in this matter, and before the State begins to raise railway capital directly. Possibly one of them may have in his bureau a scheme in all respects superior to the one broached in the Bombay pamphlet before us; but in the meantime this challenges attention. The writer points out that, as the Indian Government is formally liable for the debentures, which now represent one-fourth of the railway capital, and as it is virtually responsible for principal as well as interest on the rest, the transfer of the whole sum to our Great Book debt would in no way weaken our financial position. . . . Are there, then, any of our official financiers who have the courage and the foresight to take time by the forelock and secure to the State the full prospective profits of our existing lines? We fear not. . . . (1.) The writer has an easier task when he turns to show the great ultimate advantage which must accrue to the State in constructing future railways from the cheaper capital that will be attracted by its own direct credit In an elaborate calculation (the details of which, however, require correction and adjustment), he shows that by the year 1888, with 9,000 miles of railway open, representing a total obligation of £177,500,000, there will "be a net surplus profit falling into the Treasury of £4,500,000 sterling." (2.) We cannot do justice to this part of the writer's argument, and it is of less consequence to attempt to do so since his conclusions in reference to future railway finance had virtually been accepted by the authorities by the time the pamphlet appeared. We must give, at least, passing commendation to his broad reasoning, in which he shows the feasibility, safety, and duty of the Government of India expending freely on public works, and to his recognition of the fact—blundered over and misconstrued by our official financiers—that India on the average of the last decade "has yielded an annual surplus of £5,000,000 to £6,000,000 sterling, instead of being afflicted with a chronic deficit, according to the popular belief." In having thus worked out these broad views for himself, the writer, though trained in the narrow and purblind school of Bengal finance, affords evidence of the enlightening and liberal influences of the atmosphere of Western India. Our present Finance Minister is, we fear, much too knowing to give heed to any anonymous pamphleteer; but in the preface the writer makes certain valuable suggestions as to the form in which it would be expedient to have the Budget accounts arranged. Briefly described, his proposals are to divide the Budget accounts into three distinct schedules: (1) Ordinary revenue and expenditure, showing distinctly surplus or deficit; (2) expenditure on non-productive works, such as barracks, &c., showing loans contracted, repaid, and remaining due; (3) similar statement regarding productive and remunerative works, as railways and irrigation, showing current outlay on construction, charges for interest and maintenance, also the returns obtained. A comprehensive balance-sheet like this would vastly simplify all questions of Indian finance; and it is more than probable that even the Finance Minister himself might learn a good deal in course of its compilation.—*March* 10, 1870.

Income-tax and Military Expenditure.

III.—Sir Richard Temple's bill of fare is now before the public, and we dare not hope that the lieges will rejoice in his *pièce de résistance*. From a telegram in

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have abundantly verified Mr. Hector's forecast. 2. In this respect, also, his calculations have been more than justified, but less owing to the cheaper rate of interest commanded by the State than to the lower cost of construction on the State and subsidised lines. Mr. Hector's estimates have been largely overpassed on the favourable side. Thus, to compare his three totals given above—at the end of 1887 there were 14,000 miles open; and on a total capital outlay of £183,000,000, the surplus of net receipts was about 9⅛ millions; and this, notwithstanding deficiency of receipts on lines under construction, unremunerative "famine" railways, and the trans-frontier military lines, which can never pay their working expenses. But, after all, those 9⅛ millions of net receipts are consumed by interest and exchange charges, leaving a net deficit of over Rx. 2,000,000. The fullest details as to Indian railway finance will be found in Mr. Westland's Statement for 1888-9, paragraphs 78—84.

another column, it will be seen that the Finance Minister's one fiscal expedient is the simple but clumsy one of raising the Income-tax—and this all over India, alike in revenue-producing Bombay as in deficit-creating Bengal. The rumours which threatened a "war rate," a four per cent. levy on incomes, were incorrect, but this consolation is only fractional: for some, as yet, inscrutable reason, the charge is fixed at the irritating figures of three and one-eighth. The Budget will, of course, be passed; though it will give the scarcely needed quietus to Sir R. Temple's lingering reputation as a financier. It is not within the powers scantily doled out to our Legislative Council that a resolute minority—as Sir Robert Peel once confessed to Mr. Sharman-Crawford is the case in the British Parliament—can check the course of public business. The Viceroy has "laid the dâk" for his tour to the North-west frontier; and whatever indignant protests may be made, whatever eloquence may expend itself in debate, His Excellency will leave Calcutta on the day appointed, turning his back on a Budget pregnant with mischief and dissension. It may be full of blunders also. When Sir Richard Temple tells us the estimates for 1870-1 leave a surplus of £163,440, who cares to attach any weight to the statement? Just a year ago, at the close of a statement suffused with roseate hues, he told us that there was for 1868-9 a deficit by "regular" estimate of £1,000,000, and added—"There is (for 1869-70) an estimated equilibrium between income and ordinary expenditure sufficiently assured by a small surplus (£52,650)." We all know what happened to this "equilibrium" whilst Sir Richard was taking his pleasure and advancing his interests at home. . . . . .

But it is from the expenditure side that relief should have come; and others besides Sir R. Temple must answer for that. After six months have passed away, during which there has been ample time to mature plans of reduction, we are only to save a paltry £750,000 on our £15,000,000 of army expenditure; though competent professional critics affirm we might have as much efficiency for £2,000,000 or £3,000,000 less—a much larger sum than the Income-tax will produce. In the course of his statement last year the Finance Minister boasted that the civil and military expenditure "in India" was well under control. We know better what weight to attach to that remark now; but, at any rate, the Indian Government is no nearer getting control over the large and increasing expenditure at home. The India Office, the other day, spoke rather cavalierly on the mere matter of furnishing prompt detailed accounts of the £6,000,000 or £7,000,000 spent annually on our behalf. As a matter of account and expenditure, this should engage the most earnest attention of the Finance Minister, and we trust to find some sign of this in his detailed statement; though he is not the man to perceive the injurious economic effects of such large sums being spent out of the country which has to produce them. There is no evidence that any change has been made in the classification of Public Works expenditure, and though the gross amount of "ordinary" has been reduced from £6,250,000 in 1868-9 to £4,000,000 for the coming year, it is much to be feared that this includes the cost of permanent barracks and several other charges which really belong to capital account. But what does this matter? The Income-tax will cover all that. . . .—*April* 4, 1870.

Tax in Haste, Retrench at Leisure.

IV.—The same issue of our paper which contains Sir Richard's ironical allusion to Parliamentary forms gives the telegram stating that the Income-tax Bill has passed; which means that the "standing orders" were suspended, and that all the constitutional arrangements—intended to afford scope for full discussion, and to permit of unimpeded bleating from the silly sheep in the hands of the shearers—have all been swept aside. Thus, the worst symptom of this Income-tax mania amongst our financiers is the manner in which the impost has been literally "clapt on." There was no revenue regulation or financial emergency which required such a summary course as in the case of altering customs duties. The haste is indecent, and indicates either a dread of remonstrance or contempt of public opinion. There may, however, be great future advantage arise from the despotic and cavalier manner in which Sir Richard Temple has been allowed to seize this half-anna in our every rupee. It must give the death-blow to his career as a financier. It will arouse close and prolonged attention to Indian financial affairs amongst classes who have been much too indifferent to their own and their neighbours' interests. This popular energy enlisted on the side of economy and judicious financial management, will react upon those who have the power to initiate comprehensive reforms. Sir Richard, who refuses to leave the old ruts, will have to give way to men of originality and resource; for—despite the discouraging

spectacle of the whole Executive Council acquiescing in the superficial Budget just presented —such men are to be found. We regard as something like a quack remedy the sending home for an English financier; but the present Finance Minister may thank the Irish land question that he stands where he does. Had there been last October a lull in home politics, instead of an atmosphere of almost revolutionary fervour, no considerations as to sparing the *amour propre* of the unduly promoted Sir Richard would have stood in the way of his super-session. He has escaped that blow, but only, it seems, that he might be permitted to cut away the bough in which he is standing.

As all the figures of the Budget statement are before our readers, we need not apologise if, somewhat contrary to our wont, we treat this subject from the personal point of view. We consider that in our present Finance Minister a good executive officer is misplaced, and the bureau is encumbered with an unsuitable occupant. His statement in nearly every paragraph displays the *specialite* of the report writer, and in equal degree the absence of the statesman's comprehensive glance. . . . After the lecture on economy which His Grace of Argyll has been good enough to give our Olympians, it may be hoped that some little effort will be made to check the outlay at home, which is now mounting up to such a formidable sum—including railways £12,000,000, or 22 per cent. of our expenditure—as affords a large field for saving, and allows many seams for leakages. Had the Viceroy requested that a smart man like Mr. Baxter, of the Admiralty, should be lent to the India Office for a month or two, it is not impossible that an odd £500,000 might be saved amongst stores, freights, and sundries.

This is only a small sum, but the valorous Government of India have not been able to save more than that out of the one great charge of military expenditure. It is a small consolation to be told that we are not paying more for our army than we were in 1863-4. The expensive Umbeyla campaign was scarcely over then, and it is hoped we have made some progress in frontier as well as internal security during the last six years. So long as no serious attempt is made to reduce this one great item of our current unproductive expenditure, we may expect income-taxes and deficits from year to year. The Government of India do not frankly own themselves beaten on this one great item of the case they submitted to the public and the home authorities last October; but Sir Richard Temple shirks the subject, or merely trifles with it. With regard to reduction of military expenditure and reform of army organisation, there is little but sham and by-play. The Duke of Argyll, in a didactic mood, said: "I have called your attention to army charges;" but Mr. Cardwell, who had made a tolerably good fight with the Horse Guards, almost ridicules the notion of the Indian Government wishing to be relieved of costly superfluous forces. And now we have Sir William Mansfield, in his valedictory speech, coming forward with magniloquent phrases to screen the Government of India's weakness and inability to cope with the influences which keep up a war expenditure in time of profound peace. Sir William, in the sensation part of his speech, called up the ghost of the Mutiny—a "property" that always tells with a Bengal audience—and by dint of hollow tones and affected solemnity appears to have made some people forget for the moment all the political considerations and historical contrasts which render it so absurd to measure the military necessities of to-day by those of 1857-8. The number of European troops in India when the Mutiny broke out was but two-thirds of the number here now, and which Sir William maintains are absolutely needful. But those 42,000 European troops, with the aid of the faithful of the Bombay and Madras armies, had broken the neck of the revolt before any reinforcements arrived from England. Our military expenditure before the Mutiny—and Bombay had just seen a large expedition depart for Persia—was only £12,000,000, including the cost of 130,000 native troops since disbanded. Though in making these remarks we diverge somewhat from Sir Richard Temple's statement, they refer to the heart of the subject, and mark one of the palpable omissions of his review. It is mere "palaver" to make a great fuss about lakhs, whilst neglecting to retrench the millions. . . .—*April 9, 1870.*

FINANCIAL AND FISCAL DIVERSITIES:

A Plea for Federal Finance.

INDIA is not homogeneous. Having endeavoured to show that when the Finance Minister ignores that truism by indiscriminately levying the same assessed and trade taxes on all the provinces of India he commits grave injustice, it may be as well also to indicate how much he loses by blind adherence to the procrustean method of

treating all his victims alike. So far from manifesting impatience of taxation, whether ignorant or intelligent, we are willing to admit that the Indian population must contribute more largely than they have yet done towards the expenses of regular administration. Though we can give no quarter to the stupid maxim that "India must not borrow," that she alone of all countries on the face of the earth must build her permanent defences and reproductive public works out of her current revenue, we are ready to grant that the ordinary purposes of administration require a steady increase in our current revenue. Perhaps we may go so far as to admit that the direct contributions of the people must be multiplied and made to yield more than they have yet done. This is not to say anything in support of the Income-tax, which the present Finance Minister, with a smile of satisfaction, would raise to four per cent. if he dared. That rate would be little enough to be paid by the holders of perpetually settled land, and Sir R. Temple knows where to find them; but, as we proved the other day by figures and comparisons of the present provincial contributions, the levy of that—or, indeed, any uniform—rate of Income-tax over all India would be very like extortion.

During the last few months numberless suggestions have been made in our own and other newspaper columns with the patriotic object of showing the Finance Minister how to increase his revenue. There has been a wonderful variety in these proposals, but a remarkable unanimity in the confidence which these amateur financiers have expressed in their own panaceas. In one respect they are on a level with our official financiers in Calcutta, but that one is fatal to their pretensions. They also treat India as if it were homogeneous; they ignore the inequalities which now exist, and they propound their dicta as if there were a *tabula rasa* on which to inscribe them. Nevertheless, when we recall the group of heterogeneous suggestions it is evident that an original and thoroughly independent financier might make something out of them. But no such man could long be bound down under the absurd notion that it is possible to tax the people equitably and productively under a scheme of ways and means applied alike in every province, from Cape Comorin to Peshawur. The Indian financier who is to be successful must be strong enough to exorcise the paltering devil called "uniformity." . . . . . .

But how can the Legislative Council at Calcutta know the social physiology of each province sufficiently well to decide in which of them a tax on the luxuries or ostentation of the people would be productive, and in which it would raise a mutiny? Similar facilities and similar dangers beset any uniform schemes to tax articles of drink or diet, some of which may be injurious and others decidedly unnecessary as food and beverage; though in some provinces both moral and fiscal considerations combine to render highly expedient "optional taxation" directed against foolish indulgences. Probably, were the *abkhari* (excise) given over to the provincials, zeal for the financial good of the public might lead to a mischievous development of the hateful traffic; but in the matter of tobacco duties we see in Bombay that great advantage is derived from their being under the management of the local Government and devoted mainly to municipal purposes.

Many of the crude schemes put forward as suitable methods of universal taxation in India are simply impracticable. This Tobacco-excise is one of them. Very elaborate statements have been made out in order to show that, as everybody smokes in India, a tax on the weeds burnt for that purpose would produce a solid surplus for the Central Exchequer. Unfortunately, the consumption of tobacco or its substitutes is scarcely more universal in India than its production, so that it would be impossible to levy a smokers' tax that would be worth the cost of collecting and watching for. By far the most practical and promising of all the suggestions for a new universal tax is that which points towards the adoption of a Succession or Legacy Duty. We have ourselves, in times past, advocated this measure—both on the ground of general principle and that of analogy with the ancient Indian custom of *nuzzerana*. But we must confess that a perusal of the papers in which two or three years ago this subject was exhaustively discussed by the Government of India—the conclusions being unwillingly concurred in by Mr. Maine—convinced us that it would be all but impracticable and certainly unprofitable to levy Legacy Duties in Bengal, and probably in the N.W. Provinces also. . . . Very forcible arguments have been put forth by some writers on behalf of a Marriage-tax. If such a levy could be equitably graduated, the impost being heavier in proportion to the juvenility of the luckless little couples, and rising with due reference to the social scale of the parents, the total proceeds to the Imperial Exchequer would be very large. The effect of such a tax as a sumptuary law, repressing culpable extravagance and frantic orgies, and discouraging the baneful custom of infant

marriages, might prove highly beneficial if regulated and applied by provincial authorities thoroughly well acquainted with the customs and condition of the people of their own district. But a Marriage-tax levied by the central authority and on one uniform plan might produce incalculable misery and confusion throughout every other province of India. Somewhat akin to this is the proposal to tax personal ornaments—necklaces, anklets, and bangles, also bracelets, of course, and, we presume, Albert watch chains. It has been urged that "this tax would be a righteous tax, and probably a very productive one also." It is also recommended, under the philanthropic expectation that "the ultimate effect of it would be to abate the barbaric passion of the natives for display, and induce them to spend their money on the comforts and business of civilized life." It will be seen, on the slightest consideration, that an imperial and uniform tax which would require something like domestic inquisition for its levy might cause grievous offence, while it would operate very unequally in different provinces; but it is by no means unlikely that provincial Governments might be able to devise some unobjectionable method of deriving revenue from this, the most tangible portion of the people's personal wealth. This proposal has often been coupled with another, which could only be a universal Indian tax—that is, an import duty on the precious metals. India has often been spoken of as the "sink for the silver of the world," or as a reservoir in which gold and silver are continually being collected. The prospect of securing but a very minute toll on this ever-flowing stream of wealth is necessarily attractive to a financier who thinks only of revenue. But those who propose this—and notably so a correspondent in our own columns some little time back—forget that such a duty would at once interfere with our vast silver currency, and also alter the relative positions of the public debtor and creditor.

We might carry to any extent our references to the inventions of amateur financiers. . . .—*March* 31, 1870.

IMPOLITIC FINANCE RESENTED:

Calcutta Indignant.

THE predominant feeling left in the mind after perusing the report of the "Indignation meeting" at Calcutta is one of profound regret. During a period of several years—a period marked off with tolerable distinctness by certain significant allusions in the speeches of last Monday—the Government of India and its subjects, native as well as European, have moved along with tolerable harmony in regard to public affairs. There have been instances of dissatisfaction now and then. Sometimes certain classes or provinces have had their grievances, and criticism of public measures and policy has been free and constant; but there has been nothing like general discontent. It must remain a matter for difference of opinion as to how much or how little credit can be fairly attributed to the character and influence of the late Viceroy; but it will be generally conceded that when Earl Mayo landed at Bombay in February, 1869, there was prevalent in India a greater degree of harmony and mutual confidence subsisting between the rulers and the ruled than had been observed in Anglo-Indian history at any time since certain brief periods under Sir Chas. Metcalfe or Lord William Bentinck. Fourteen months after Lord Mayo's landing this genial and healthy condition of the public mind is rudely disturbed. In spite of the breeze of loyal enthusiasm—as sincere and hearty as any such popular gust could well be—which has just swept over the realm, we have a crowded meeting held in the eastern capital whence the Viceroy and his colleagues had just departed, at which something like a feeling of settled anger is manifested, and a temper of disaffection and suspicion which for long to come must grievously lessen the just influence of Government and cast discredit on many of its well-intentioned efforts. We need scarcely add that the stern temper displayed by the Calcutta meeting, and the strong condemnation passed by it on the whole financial policy of the Indian Government, are only decorous and restrained manifestations of the dissatisfaction (we had almost written disaffection) and distrust which—as journalists have good opportunities of knowing—pervade nearly every class of Indian society since the promulgation of the Temple-Argyll Budget.

And to what end has this unsettlement and exacerbation of the public mind been caused? Had some great principle of politics been vindicated by a Government in advance of its people, some great class abuse been abrogated, or some notable triumph achieved in

the interests of a subject race, then a storm of popular indignation might have been witnessed with equanimity, and our rulers might work away on the cool height of Simla conscious that time would do them justice, and that mere clamour would soon be forgotten. No such sustaining and comfortable thoughts can now interpose to break the force with which the reports of the Calcutta meeting and the determined tone of the rapidly multiplying memorials will strike on the minds of the more thoughtful members of the Supreme Government. They will have seen long ere this that if all this perturbation could have been avoided by the sacrifice of the £1,487,500 which Sir Richard Temple estimates the 2½ will fetch—for the 1 per cent. would have been paid without much objection—then such sacrifice would have been a great national gain. But, we are told, Sir Richard was peremptorily ordered by the Duke of Argyll to make an equilibrium by estimate; and what then? . . . Babu Kristodass Paul spoke in favour of a Royal Commission being appointed to look into the whole system of Indian finance and fiscal management. Though this proposition is a little irregular in form, the Babu was "wiser than he knew;" and if, when Ireland shall be started on her regenerated career, Parliament should take a course which would bring about the appointment of such a Commission, that result would be one of the few and remote compensations which are all we have to hope for from the present deplorable dislocation of the ties which have of late years bound in one strong bundle the people and rulers of this great diversified empire. For this unsettlement, and the present unhappy relations, Sir Richard Temple, Lord Mayo, and the rest, each in his degree is wholly responsible. It is easy to open the flood-gates of popular agitation, but it may take a man of genius to close them; and is there such an one anywhere available for India?—*April* 25, 1870.

Bombay Remonstrates.

II.—Those thinkers and philanthropists who have earnestly desired that the natives of India should be stirred up to take a lively interest in public affairs and imitate English forms of popular discussion, would have been gratified by the animated spectacle presented in our Town Hall on Monday afternoon. More than 1,000 of our native citizens, of all castes and creeds (besides nearly as many more who came and went), were seated in constitutional array, seeking redress of grievances by the English fashion of public meeting. . . . . .

After the agitation of the last two months, the speeches at such a meeting necessarily present some sameness; but as reiteration is said to be one of the secrets of oratory, so, in popular agitation, the requisite of success is, as President Lincoln once grimly remarked, to "keep pounding away." Though the speeches of Monday present various salient points for notice, it is the memorial on which attention will be concentrated. It is, indeed, a *pièce de résistance*, and suggests the familiar proverb, "Cut and come again." Its compilers appear to have desired to leave nothing out. We may read within the compass of its twenty-seven paragraphs the history not only of the Temple Budget, and what came of it, but also the story of the Wilson Income-tax, and Sir Charles Trevelyan's slaying thereof. One apology for the length of the document, and not a bad one, is to be found in the numerous quotations that are given from public authorities. Like Colonel Balfour and Hancock before the recent Committee on the supersession of British Generals, one Finance Minister after another is summoned to tell Sir Richard Temple that he has made a huge blunder, while His Grace of Argyll is himself called in to show that Sir Richard ought to have attacked the expenditure side of the account, instead of building up the income column with untempered mortar. It must be confessed that the future financier does not get much help from the Bombay meeting in respect of suggestions for new taxes, or enlarging the revenue in any way. In alluding to the Stamp Act, they imply censure of the probate duty one of the fairest of all imposts, and they miss the chance of denouncing the enhanced stamps on judicial proceedings, which are the worst of all taxes. . . . Fastening upon the admission by the Finance Minister that, of the £6,250,000 of deficits during the last three years, more than half arose from the consumption of current revenue, the floating capital of the country, in the building of barracks, the memorialists ask that the £3,500,000 so sunk, together with the £658,955 for the present year, shall be redeemed by a loan. Though the Duke, however convinced, will scarcely consent to be wise after the event to the tune of £4,000,000, this distinct demand for a sane policy in the matter of barrack building will not be without effect. Coming to military expenditure, the

memorialists make the very modest request that reduction should be carried out to the extent of "£1,500,000 of the whole military charges in India," which His Grace has admitted is possible to be done. They might safely have gone somewhat further in this direction. It gives a poor account of the rapidly growing moral and material strength of the British power in India during the last dozen years when it has to be confessed that our outlay on the Army is £3,000,000 more than before the Mutiny. Some percentage of this is due to the change in prices and the lowered value of money; but incomparably more arises from the artificial and heterogeneous military system of the present time, and which, in one of its most extravagant phases, has been defended by the Duke of Argyll himself. It would have been very suitable for our native fellow-citizens to stigmatise the excessive and costly nature of the present military establishment; which, unlike the expenditure in India on public works, sends funds out of this country without material recompense of any kind. In paragraph 24 the memorialists trespass on His Grace's own preserves. They point out that "the exigencies of the State"—a plea before which the Duke himself must bow—"demand a close scrutiny of the expenditure of the Indian Treasury in England." . . . Of the £7,000,000 forming actual charges on the Indian revenue, a large proportion are more or less under control, and no great harm will be done, even to His Grace, by "pounding away" at them.—*May* 4, 1870.

Echoes from Home.

III.—The telegram we print this morning from London may, we trust, be regarded as indicating that a thorough discussion on Indian Finance has commenced at home. Some cynics may remark that there is nothing unusual in the fact that Mr. Samuel Laing has come before the public with a long letter. Perhaps not; but the late member for Wick has the knack of choosing a suitable moment for reminding the world that he is one of the "men of our time." There is some proof that he has made a correct guess in this instance, seeing that he has at once secured the "endorsement" of the leading journal. . . . . .

If Mr. Laing can drive into the home press the trite statement that the English and Indian Budgets are essentially different, that the Indian Government, besides ruling 200,000,000 of people, is also a great railway, irrigation, and road-making company, he will do an immense service. Until that elementary proposition is mastered, we shall have public men at home committing such egregious blunders like that of Mr. Cole, C.B., last year; when, in an essay read before the Society of Arts on Army reorganization, he gravely expressed the hope that "ere long India might contribute something towards the maintenance of her military forces." In reference to the fifth point of Mr. Laing's letter—the policy of defraying charges for permanent works by means of terminable loans—he will have a more appreciative audience; and, possibly, on this side, the tendency of the city man and railway magnate may, in him, be a trifle too strong for the statesman. . . . . .

When the subject is fairly looked into, as there is ample promise that it now will be, it must be seen that, so long as English investors are ready to send their capital to the ends of the earth, India will always have a claim to the "first refusal." English savings, judiciously invested in communications and irrigation works, will liberate and render sevenfold more productive the scant Indian capital which is sorely needed for the extension and improvement of our indigenous agricultural operations. If any public men dread that this process of investing English capital in Indian productive works is likely to be carried on too fast or too far, it can only be either because they had not given adequate attention to the subject, or that they shirk their own share of the trouble and vigilance required for the administration and regulation of that policy. . . . For years past we have in these columns steadily contended on behalf of these common-sense principles of Indian finance which—thanks to Sir Richard Temple—are now being forced on the public attention. Whilst we rejoice at the dispersion of ancient prejudices and the sweeping away of cramped and purblind notions, we shall be ready, if occasion arise, to resist the swinging of the pendulum in the direction of extravagance and undue strain on capital resources.—*May* 26, 1870.

INDIA'S "TRIBUTE" AS A DEPENDENCY.

AND so, that old "*Bombay Times* states that India will during the current year pay to England a tribute of £9 500,000!" Does it? It is very stupid of the old print thus to tantalise people who only want to swear at the Income-tax and have done with the tiresome subject of finance; but we fear this *Times of India* itself is not much better, for last Friday we see it made this remark: "The balance of £9.500,000 [to be drawn by the Secretary of State in bills] may be roughly spoken of as the 'tribute' yielded by India to England; but considerably more would have to be added on account of private remittances which escape observation in the general trade accounts between the two countries."

Now, there is not much difference between these two quotations so far as statement of fact is concerned; but in the way of putting an argument, there is some distinction which might, one would think, have been appreciated by any critic who really wished to know the truth of the matter. Of course it would be unreasonable to expect journalists to be always digging for truth and fact. They must have their by-play as well as "undergrads" and M.P.s; and this "discovery," that the "tribute" yielded by India to England is "the merest mirage," is only a little pleasantry to which our daily contemporary yielded after the strain of seeking for the joints in Mr. Laing's harness. But, as many a truth is spoken in jest, so very important public questions may receive unexpected illustrations when it becomes necessary to point out the difference between hard fact and idle fable. . . . . .

However, it is not the extent, but the fact of the "tribute" being rendered, that we are now concerned to make plain; and it may serve as an easier lesson for our contemporary, or any other tyro in this particular branch of inquiry, if we refer them to a paragraph from the *Economist* in another column. The figures in it are taken from the same tables that we have just quoted from, but they include statistics of the colonies, and thereby afford a very significant point of comparison. We have taken the trouble to make an abstract of the abstract, so as to present only the totals. Now, how does it happen that while the imports of the colonies in that year exceed their exports by £3,500,000, the exports of India exceeded her imports by £2,250,000? It must be remembered that had any other year been taken than 1857, the contrast would have been doubled in amount; but why does it exist at all? Simply because the political relation of India to England is essentially different from that between the colonies and England; and the result of that different relation is an enforced, unavoidable contribution—a "tribute" from the dependent to the ruling country. That contribution, though disguised by loan operations, the transmission of stores, and the fluctuations of prices, is a great fact, which no one who attempts to examine the financial position of England or India can ignore for a moment. Though only one large river amidst the many streams that feed the great ocean of England's wealth, it forms a very heavy price or toll that India has to pay for her toilsome commercial progress.

One word as to etymology, in which our contemporary sets up as a professor. It is probable that most persons, since the days of spelling-books, have been aware that the ordinary rendering of the word tribute is—"a stated payment from one country to another in token of submission;" and our usual practice in placing "tribute" between quotation marks might be sufficient to indicate that we applied it in a sense somewhat different from the ordinary one. But, really, this homage to verbal purism was scarcely required, for another rendering of "tribute" is—"the price of peace and protection," and that definition is sufficient to cover every use we have made of the word. There was the tribute openly exacted by the Romans from every subject nation wealthy enough to pay it. There is now the heavy tribute, avowedly though indirectly, levied by the Dutch from Java; and there is also the tribute, not ostensibly or statedly levied, but nevertheless real and palpable, which India must pay as the price of foreign rule. Again, if the term "national balance-sheet" be restricted to the Treasury accounts, we can, even from them, oblige the "mirage" gentlemen with rather striking negative evidence that "India pays," whilst all other dependencies of England receive payment from the Mother Country. A return, moved for by Colonel Sykes early this session, states the annual cost of the several British colonies to the British exchequer. From this we learn that in 1867-8 the colonies cost the British taxpayer about £4,000,000 sterling, of which Canada took a fourth; and that during the ten years from 1858-9 to 1867-8, over £41,000,000 had been contributed from the British exchequer for the maintenance of the colonies. The Treasury account, our contemporary's "national balance-sheet," may be searched through and through, but no debit whatever will be found

against India. This striking distinction is at least suggestive. In these times of financial discussion, it ought to induce many persons to look below the surface who never did so before.—*June* 20, 1870.

THE "TRIBUTE" IN ITS NAKED FORM.

THERE is in India no system of "interpellation" by which the Executive can be made to explain any of the transactions of the day.* If of the Viceroy's own free-will he ever bethinks him to promptly communicate the *pieces justificatives* of the current acts of his Administration, it has to be done through the cumbrous method of publishing minutes or correspondence in the official *Gazette*. This would not be a facile means of explaining the causes that have led at this juncture to the exportation of specie to England to such a large amount; but the hard fact is an ugly one, that should be softened down by such verbal explanations and plausible excuses as the Government of India may have at its disposal. This apparently bungling, wasteful, and, certainly, very injurious transaction urgently demands to be at once accounted for to the public. Were Parliament sitting it would be possible to extract some sort of apology or justification from Mr. Grant Duff; but now this immense financial operation may, for anything we now know to the contrary, be irregular, or even unconstitutional. Such is the system under which we jog along!

In writing thus, and in speaking, as we did just now, of a very large specie exportation, we took for granted that most of our readers are aware that the 40 lakhs sent from Bombay on Wednesday is not half of the total transfer of hard cash which this week is being made from income-taxed and trade-depressed India to the Home treasury of His Grace of Argyll. Bombay was not alone in the export of silver. The Bank of Bengal sent 40 lakhs and Bank of Madras 20 lakhs—1 crore in all. . . . This particular million may be wanted for interest on railway loans, and so far may represent a great material service done to the country; or it may be needed to meet the drafts of the War Office and Horse Guards for unrecompensed payments exacted from India towards expenses of "depôts" which form part of the home garrison of England. Most likely it may be fairly allocated, as in the table given in the extract we took from the *Mofussilite* the other day; but except so far as it comes under the head of interest for railway loans, it not only represents, but is literally a transfer of profits or revenues from this country. These go to increase the capital stock of England, but represent *pari passu* a direct weakening of the material resources and revenue-producing capabilities of India. It may be hoped that this crisis will impel some business men—trained in accounts and the mysteries of interest and exchanges—to take pains to trace what is really meant by the "tribute" paid to England, and to see for themselves what a depressing and enervating effect that payment has on all the springs of commerce and industry in this country. They will find that England is acting the part of the clown in the fable; she is, if not killing, at least starving the fowl which, if fairly and more wisely treated, would produce its toll of golden eggs as long as she could desire to gather them. What, if persisted in, may be the consequence of the present one-sided and wholly selfish financial policy of the stronger country it is hard to say.—*August* 12, 1870.

An Explanation that Tells Too Much.

II.—The following, which we quote from our Allahabad contemporary, is the best apology that is forthcoming for the recent export of hard cash in defrayal of the Secretary of State's drafts:—

> The late remittances in specie made to the Home Government have been the subject of—so it seems to us—a rather unreasonable dissatisfaction. It is true, as the *Times of India* has said, that this export of hard cash is a palpable proof that India is having to pay from the profits and earnings of former years, but if there was no profit margin this year, and the Secretary of State was unable to sell his bills at 1s. 10½d., what else

* This disability still obtains, and will do until removed by some peremptory decision of Parliament. To be put to the question in public must always be exceedingly distasteful to the bureaucratic spirit; but in equal degree is it desirable that the Indian taxpayers should have some ready and direct method of learning the drift of Executive policy, and the objects towards which it aims. The right to put questions in the Legislative Councils relating to current public affairs is one put forward amongst the practical claims of the recent National Indian Congresses.

was to be done? The first object with our Government is naturally to make the monthly State remittances in the cheapest manner possible; and, therefore, the unusual course adopted in the present instance from necessity will not be again followed unless under the same emergency. In the meantime the effect of the measure will, of course, be carefully watched.

"Watched," indeed! of course it will; the result of which can only be to show more distinctly the inexpediency, not to say the stolid recklessness, of the method adopted. In referring again on Saturday to this precious experiment in official banking (and before seeing the pitiful excuse above quoted) we remarked that the country has a right to know its author. But, as Dr. Johnson remarked on the question of the use of nightcaps, "that it shall never know." Be it sufficient that we have ascertained it is the old story—"orders from home;" not orders on questions of principle and true imperial policy, which are often enough needed, but minute, inexorable directions on matters of detail, such as the managing clerk of a merchant's firm might give to his subordinates. We believe the Government of India had not even the option of sending gold instead of silver, supposing it had been more profitable to do so. It is not the season when Australian sovereigns abound in our own market; but there is little doubt that if this small discretion had been allowed to the Indian treasury, and if some latitude in time had also been granted, sufficient gold might, probably, have been taken up, so as to avoid the palpable folly of sending coined rupees out of the country. There would also, had gold been sent, have been a considerable saving in freight as well as price; but, no, the order was—"We see you have got Rs. 2,00,00,000 more in your State coffers than ever before; send us half of that jolly 'surplus' at once; and in silver, please, mind that—coin, if no other." It is in this last item of the stringent requisition that the blunder of the operation was concentrated; and the fact is, as it seems to us, that the financial genius of the India Office thought to do a stroke of speculative business; but, unluckily, the speculation has gone the wrong way. . . . . .

It is not for sake of the paltry £10,000 that we push this blunder home—it *might* have resulted in a slight saving. We have an ulterior object in view. To revert to the demi-official apology quoted at starting, we find the piteous inquiry—if the Secretary of State could not get his 1s. 10¼d., what was he to do? Do! Why, either take 1s. 10d. as he did last week, or use up his own cash balances more closely, or—consult the Government of India before acting. That is the point to which we should like to see this incident lead up. Never since the time of that toughest and most peremptory of Secretaries, Sir Charles Wood—and we doubt if then—has there been such an ostentatious disregard of the right to discretion in the management of details which should be left to the Government *in* India. And when Sir Charles meddled with details, especially of a financial nature, it was generally to good purpose; but the Duke of Argyll, or those about him on whom he relies as advisers in financial and monetary affairs, seem to be utterly incapable of comprehending Indian taxation, banking, accounts, or exchange. Witness His Grace's astounding mistake in the matter of fact as to the Income-tax not being levied on income from land! If this incident of £10,000 to £15,000 being flung away because of a peremptory indent from an ill-informed Secretary of State becomes the means of drawing urgent attention to the perpetual interference of the India Office in administrative details, it will prove to have been a cheap sacrifice. But the fact of patronage being in the hands of the Crown, of the party Ministry of the day, is eating like a canker into the independence and self-respect of our Indian administrators. And the higher the emolument received, the more is subserviency secured by the present system.—*Aug.* 22, 1870.

WHY AND HOW THE TRIBUTE IS EXACTED:

A Plea for Justice to the Weaker Vessel.

IT was long since remarked that "the most canting kind of cant is the cant about cant." A modern instance of this was afforded the other day by a contemporary, who took an odd way of showing that "the present time *is* opportune" for discussing whether it is just and expedient that the whole pecuniary cost incident to the political connection between England and India shall for ever continue to be borne by the latter country. To maintain, as we do, that, the benefit of that connection being mutual, so the cost of it should be shared between the two in something like equitable proportion, is denounced as "cant." In one respect better measure is meted out to us than we had any right to expect: this "cant" is

characterised as "sincere," and those are said to be "philanthropists" from whom it proceeds. Now, as our upholding the proposition, that the plain principles of equity ought to be observed in political finance, can give us no claim to be regarded as lovers of men in the superlative degree, we must decline the proffered title in this connection. The application of the other term is equally a mistake. We will quote the sentence in which it occurs—"Sooth to say, the orthodox opinion [that England should defray a considerable portion of the Indian home charges] is mostly cant, and often the saddest kind of cant—it is sincere." It would be just about as appropriate to say that this opinion is—"London, man, virtue," or "ozokerit," or "anything else which exists." . . . Another mistake of some moment occurs in the sentence quoted. The opinion we happen to hold, in respect of the continuous injustice inflicted on India by the one-sided appropriation of certain revenue charges, is a very heterodox one. It is our local contemporary who holds the "orthodox" opinion, if that can be rightly called an opinion which is but the expression of a dogged determination to maintain the *statu quo*, and to thrust aside or out of hearing all pleas for fair consideration of the question. . . . . .

It is now the "orthodox" creed that India ought to pay every rupee that in virtue of any constructive argument can be charged against her revenues. She must pay for the China, Persia, and Zanzibar missions; for every brick of the India Office, which is just as much one of the public buildings of London as is the Foreign Office which adjoins it; for the Cabinet Minister who is styled Indian Secretary, though he is just as much a member of, and engaged in the administration of English home affairs as is the Colonial or Foreign Minister. Above all, India must pay every shilling of outlay that is in any way incurred in the transport of troops between England and this country, or in the maintenance of the depôts which form part of the somewhat slender English garrison, of which Mr. Cardwell makes the most when replying to his alarmist opponents and critics. There is also an old debt claimed by the retiring trading Company, forty years since, as part of the price of throwing Indian commerce open to all England, and which Parliament in its wisdom exacted—not from the recipients of the benefit, the general body of English traders, but—from this country, the produce and people of which supply the profits of which that debt and its heavy interest represent but a tithe. And though it is probable that the regular Indian national debt of £80,000,000 or £90,000,000 represents far more of commercial and political advantage to Great Britain than an equal portion of the English national debt, every practical proposal to place the former on the same footing as the latter on the money market of London and the world is scornfully rejected or postponed by dint of evading the subject. Though this is not done of malice prepense, or "criminal intent"—to quote an absurd phrase as used by an undiscriminating critic—the effect on India is a yearly outlay on interest of nearly £1,000,000 sterling more than would be otherwise needed. That these things are so—that every attempt to have the grounds of this policy looked into by our public men at home is pushed aside as an unpleasant topic, is in accordance with the "orthodox" and popular notions about the relations of India to England. Those of our contemporaries who uphold the one-sided arrangements that now obtain between the two countries have, at least, the comfort of being for the present on the side of the majority. Nothing can be easier than to defend what every one approves—mainly so because they do not happen ever to have been led to question whether the existing system is right or no. It received a heavy blow when Sir Henry Rawlinson's proposal to charge India with half the cost of the Abyssinian expedition was utterly defeated; and though we have to uphold the heterodox and unpopular cause at present, the relative positions of ourselves and our opponents may some day be changed, more especially as many of them will come over to us. Mr. Gladstone has nobly done his share towards redeeming England's reputation for political justice, so we need call upon him for no further effort in that direction. But there are rising politicians amongst his followers, such as the indefatigable Minister for Education; or Mr. Stansfeld, formerly Under-Secretary for India, but who has yet scarcely risen to his opportunities—as well as younger members of the Upper House, like Lords Carnarvon and Kimberley, "statesmen like the Athenian archon just"—from some of whom we look to obtain justice between England and India, as the commoner of our day has secured a new agricultural and ecclesiastical constitution for Ireland in spite of "blindly selfish" opposition. . . . . .

The statesman who shall frankly acknowledge the financial obligations of England to India, incurred in virtue of the political sway exercised over this dependency for more than a century past, and who shall give effect to such acknowledgment by redressing, though it

may be only partially, the long overweighted balance, will realise a true amalgamation between the two countries, and bring about a renewed union that, if we will, may endure for a period which extendeth beyond any term that can enter into the heart of the grudging and distrustful school of politicians to conceive.

It is fitting we should notice, in passing, the apology for argument recently used by one of the defenders of what may be styled the unmitigated rights-of-conquest policy. We are told that—"If India wants loans, and railways, and machines, and men, she must pay for them, just as (!) England and France and Russia must pay India for the cotton (!) and other products she sends them." And the changes are rung upon "the rightfulness of paying your debts," as if loose declamation of this kind could do anything towards settling the question of what *is* the debt between the two countries, and how far one of them is justified in shirking all pecuniary recompense for extraordinary advantages enjoyed. In the complete sentence quoted above—offered apparently as if in triumphant and summary settlement of the whole controversy—there is only one item, that of "men," which in the remotest way bears on the political and financial questions at issue. . . . . .

As to the practical bearing of our remark in reference to the British taxpayer and his supreme indifference to Indian military expenditure and organisation, we may ask, would not this attitude be speedily changed if but the cost of the depôts of regiments serving in India had to be defrayed from the English exchequer? Most certainly it would. And could the Amalgamation blunder, with its still accumulating cost, be brought under the influence of only partially parliamentary control, a check would long since have been placed on that Court and departmental policy. We have characterised the determination to maintain the present one-sided financial relations between England and India as a "blindly selfish policy," and it is demanded that we shall explain the meaning of the phrase. This we have done times without number in every variety of statement. Let us try again in the most elementary fashion—India, whilst prosperous and thriving, is valuable to England; to charge on the revenues of India all the cost of an expensive foreign rule, is to check her prosperity, and to prevent her thriving commercially; therefore England in doing this shows a blindness to her own interests, so far as those are bound up with her political hold over India—it is clipping the wool too close, and overweighting the good steed that carries us willingly.—*Oct.* 1, 1870.

EQUILIBRIUM BY INCOME-TAX.

WE were sorry, some three weeks back, to observe that one of the loudest opponents of the Mayo-Temple levy, the *Englishman*, had come to despair of the remission or revision of the tax within the present year. Had such a surrender been general with the Indian press, our superficial but obstinate Finance Minister would have had all the triumph he could care for. His easy game would have been won, and he might chuckle to himself on seeing that success had rewarded his ignoble tactics—the screw put on through secret orders to the Collectors, a contemptuous silence on his part towards public remonstrance, "orders from home" obsequiously obeyed with substantial results to the Treasury. But Sir Richard and his pliant colleagues may rest assured that their shallow policy will not pass with impunity. . . . But this point—whether the Mayo-Temple has yet done its worst for 1870-71 on the two lower classes—is one on which current information is much needed. We shall not get it from official sources; therefore the press, Native as well as European, should adopt some systematic method to ascertain the progress of the levy, so that the public may have some idea what amount of extortion has yet to be carried out, and what disaffection and panic, like that at Allahabad, may yet be looked for before Christmas. We fear that in many districts the final turn of the screw has not yet come, that the good sense of some Collectors has yet restrained them from carrying out to the letter the infatuated "confidential" orders of the Financial Secretariat, and that the worst may yet be to come. It is scarcely necessary on behalf of the mercantile classes and worse paid Government employés to repeat the special reasons which would make even a three months' remission of the tax a boon of vast importance to them. They have efficient means of making known their claims. Just now it is with reference to the evil influence of the Mayo-Temple levy in the Mofussil and on the masses that we speak. The most alarming symptom of the blind-

ness and incapacity of the present Executive Council is that not a man in it seems to have an eye to see the *indirect* harm, the unusual political peril they are incurring by their persistence against remonstrance and as against their own financial statement. This impost comes at a time when local charges of all kinds are being increased, when the minds of the people in every province are being unsettled, from one cause or other. Never was a more wanton flinging away of progress gained, a more reckless despite of a slowly rising popular trust. Sir Richard Temple, for the sake of an artificial "equilibrium," has undone a large part of the good that all other Indian statesmen have effected since the Mutiny. Is it not worth while to check this political idiotcy even at the eleventh hour? We think it is, and trust that even yet the huge blunder may be frankly confessed and tardily repaired.—*Oct.* 14, 18$\frac{7}{0}$.

Manchester's Mistakes on the Subject.

II.—When, the other day, we drew a bow at a venture, and spoke of the Manchester Chamber of Commerce as having been "tempted by some busy-body to make the absurd declaration that an Income-tax is fair and equitable for India as a source of revenue," whom did we hit? Was it that redoubtable orator, our worthy citizen, Mr. Nowrojee Furdoonjee? He it was, we now find, who asked or provoked the Chamber to consider the question of the Indian Income-tax; but as Mr. Nowrojee's business was certainly not to tempt the Manchester men to declare the Mayo-Temple impost "fair and equitable," we must ask again, whom have we hit? It appears that the Chamber was asked, instructed, or persuaded to make that declaration by another of our citizens, a gentleman well known in Bombay, whose personality is revealed, rather than veiled, by the initials over which frequently appear in the columns of our local contemporary certain able and interesting letters from home. It is from one of these, more than from any other source, that we learn how it happens the Manchester Chamber has been beguiled into supporting one of the most incompetent Finance Ministers with whom India has ever been troubled. Still this does not settle the preliminary, though unimportant question—who has been hit by our random bolt, or is there any one concerned with this Manchester debate to whom our unluckily chosen epithet "busy-body" will fairly apply? It quite misses "J. M. M.," because he was in the first place "invited," and then he was "called upon" by the Chairman to reply to the representative of the Bombay Association. All things considered, if we are to stand to what is written, the Chairman at the debate is the one most amenable to our implied charge of meddlesomeness and presumption. It was proper and reasonable enough that he should call upon one citizen of Bombay to reply to another. But after hearing both, he should have arranged to adjourn the debate, so as to allow the members an opportunity to think over the matter, and give them time to reconcile the conflicting statements with which, no doubt, they would be considerably puzzled. They had a fair opportunity to revise the whole fiscal policy of the Mayo-Temple Government. To pit the Income-tax against the Salt-duty, in the abstract debating class fashion indicated by their resolution, does not advance matters one whit, and deprives their decision of all weight whatever for any practical purpose. . . . . .

Whilst it is quite true that Mr. Nowrojee went to England avowedly as an agent to oppose the financial policy of which the Income-tax is the one idea, he is—so far as we know—the only agent so sent from India. It is, therefore, grievously misleading to speak of an "agitation" being "sedulously kept up" in England "by agents representing the class on which the burden falls in India." And the persons "connected with India," who in the four months, April to July, vainly endeavoured to draw the attention of politicians to the blunders of our financiers and the impolicy of this oppressive levy, were, at least, quite as disinterested and as worthy of attention as Sir R. Temple or Mr. Grant Duff themselves.

Though the *Guardian* does not enter into "the arguments for and against the Income-tax," it reproduces the fallacy, or rather the twin fallacies, which nothing but an exhaustive exposure in Parliament will drive from the minds of the Secretary of State and his colleagues. The major premiss is that "the direct taxation of the wealthy trading class of India" is a "fair and reasonable" mode of raising revenue; the minor is, that the Income-tax reaches "the wealthy trading class;" therefore, &c. We need not for the fiftieth time show how

inadequate these are to support the conclusion. The returns of this year's assessment—even that of the Bombay Assessor for last year—will show that but a very small fraction of Income-tax victims belong to the "wealthy trading class." The same returns, if faithful, will show how erroneous is the other notion—that "only 500,000 of people besides the servants of Government" are subject to this levy. And it must be remembered that the tax must be debited with the discontent and uneasiness of tens of thousands of ignorant people, who are assessed or threatened with assessment, but whose names do not reach the final records of the collector. We may note, in conclusion, that the *Guardian* reproduces that mysterious official "property," those "Englishmen who wish for public works in India." Who are they? we ask once more; and what are the public works they want? Are these the useless barracks built out of current revenues, squeezed out of the life-blood of the country, the tithe taken from the green ear instead of from the garnered grain? Or are those works—demanded by mythical Englishmen—costly and ill-contrived harbour defences or "Northern State railways," of which the capital of the former and the interest on the latter must be wrung from the same precious circulating fluid? These queries must be partly answered in the affirmative, but "the Englishmen who want" *these* public works are the very men who are forcing the Income-tax on the country, and who thus check its progress at both ends. We also want public works, but of the kind and on the principles described in Mr. Wm. Fowler's admirable letter in the *Economist*—a document, the publication of which will, we trust, form the tidal mark of the stupid economy and wretched financing which has "saved" by stopping works that the country urgently needs, and is pushing on others that it did not need, by dint of mulcting the ready money of the merchant, and indenting on the scant stipends of the clerk, the small shopkeeper, or the artisan.—*Nov.* 1870.

Fiscal Fractions and Rigid Uniformity.

III.—Amidst all the rumours as to the rate at which the Income-tax is to be levied next year, or whether it is "to be" at all, we may as well "put in our oar." The *Englishman*—though itself desiring the total abolition of the tax, on the ground of the "general dissatisfaction" caused by high rates and low sweep—says that "an announcement will shortly appear of the practical abolition of that obnoxious impost." It appears that the interpretation of "practical abolition" is, reduction "to a minimum rate;" but what is that? Some few weeks back, the *Delhi*, or one of its correspondents, represented, that the Finance Minister and his Secretary were wrangling over the question, what rate the lieges could, or would, stand next year. We believe Mr. Chapman's bid was alleged to be for 1½ per cent., and Sir Richard's for two; but this guess failed to indicate the arithmetical nicety of the great financier's mind. There is reason to believe that some time before these guesses appeared, the provincial administrations were asked, by circular, what they thought of $1\frac{9}{16}$ per cent. The other day Sir Richard hinted darkly at "a plan" that he threatened to be maturing. Did its adoption or rejection turn upon that precious sixteenth per cent.? Some old Bombay firms yet retain in their accounts the denomination of a certain diminutive obsolete coin called a *rae*; 25 raes = 1 anna. Well, this sixteenth per cent., on which the Finance Minister has set his heart, is equal to one-quarter of a rae! Who will rashly say that the world is "financed" with little wisdom, when they consider for a moment how many headaches must have been endured by the tenants of the Currency Office before that minute sub-division was determined upon? In his 1859 Statement, when justifying the imposition of the one per cent. rate, Sir Richard, ever skilful and admirable in phrase, laid down the proposition—"It is desirable not to ask the country to bear even a fraction weight of burden more than can be proved to be indispensable." The glaring and blundering neglect of this principle, by himself and his colleagues, has caused more heart-burning in the cities of India, more hardship and dismay amidst its patient mofussil multitudes, than he can atone for by the development of any "plans" he is ever likely to produce—if, for the sins of this land, he should be allowed to remain Finance Minister during the rest of his term of service. But it is instructive to consider that one-sixteenth. . . . What can be expected when such men, from their remote perch at Simla, or or their "ceiled houses" at Calcutta, frame schemes of taxation affecting the masses of society, of which they cannot comprehend the incidence and the scope? So little does Sir Richard Temple understand of real district work, so little does his experience enable him to

realise the mischief that his fiscal ukase of last April has inflicted on the State, that we quite expect the rough draft for his next Statement already comprises a paragraph consisting of an elaborate and long-drawn-out chuckle over the large sum that the tax has realised! . . . . . .

We suppose that the frame-work of the tax will be maintained, however low the rate may be. A few little extravagances, like the Admiralty jobs recently invited, or two or three old claims written off as bad debts, will suffice to afford some superficial basis for theoretical justification of maintaining the one pie or one per cent.; but so long as the same nominally uniform rate is levied in Bombay Presidency and in Bengal, on the ryotwari and the zemindari districts of Madras, so long is this tax severely inequitable and oppressive to large portions of the country. As to the rumour about permission being given to local administrations to levy an income-tax in their own districts, we may say more when we know more. For the present, the suggestion looks very like an attempt to cast derision on the principle of decentralisation, and intended to render odious the first step towards the practical development of that method of financial reform.—*Dec.* 16, 1870.

PUBLIC WORKS FINANCE:

The Common-Sense of the Matter.

THERE can be little doubt that the distrust that obtains amongst half-informed politicians at home respecting Indian finance is due mainly to the hopeless misunderstanding that arises from their comparing the statement of the Indian Minister with that of the Chancellor of the Exchequer, and speaking of both balance-sheets in the same terms. . . . But there is, at last, some hope of a turn in the tide at home. In sending to one of the most influential weekly papers his excellent letter on "Public Works in India" (which may be read in another column), Mr. William Fowler, member for Cambridge, has, so to speak, turned the first sod of the new way of which we have spoken as being needed to get practical notions of Indian finance into the minds of the average Parliament man. The easy-going *habitué* of St. Stephen's is naturally bewildered with the oft-reiterated mention of the chronic deficits in India, and he instinctively calls "Hear, hear," meaning "Tax 'em, tax 'em," when Mr. Grant Duff informs the House that His Grace had sent out stringent orders to bring about "an equilibrium" at any cost. Mr. Fowler's letter will explain to those applauding senators what is the effect of the ignorant policy they so hastily approve while longing to escape to the country and the moors. It is the extravagant system of constructing new and permanent public works out of current revenue that he denounces, and also the fiscal oppression which is the inseparable result of such an absurd course. He thinks the Income-tax is slightly more defensible than the Salt-tax; but, the supposed need for the levy of one and the increase of the other he describes as a "natural consequence" of constructing new works out of revenue. And he asks—"On what principle can it be right to charge on the poor people of India a tax on their salt, because the Government thinks fit to make roads or bridges, or such like works, which must either be of permanent value or ought not to be made?" He then gives the total revenue for each year of three, 1867-8-9-70, deducting expenditure on public works out of revenue, but retaining the charge for guaranteed interest. He thus shows that, according to the way in which nine-tenths of his fellow-members understand a budget, India had in each of those years a *surplus* of £4,000,000. He adds: "Thus we see that, were public works paid for as they are paid for here, there would be no ground for that financial despair to which readers of Indian Blue-books have so long been accustomed. These figures certainly show the vast importance of the subject."

Certainly they do, for those who have ears to hear; but—as Mr. Fowler says in a former paragraph, after describing the rational course adopted at home in raising funds for public works—"all this seems so simple that one is almost ashamed to repeat it." Simple though these propositions are as the mere A B C of financial management, India is blessed with a Finance Minister who, though "raised" in the country, cannot comprehend the bearing of those principles. . . . As Mr. Fowler says, "every one admits that all charges for repairs must be paid out of revenue," and probably he would insist on rigorously debiting to income every item for renewals and maintenance. These, with all the charges for interest, would amount to as heavy sureties for economy, or as a drag-chain on current

revenue, as the greatest purists for true economy could desire. The member for Cambridge does not shrink from admitting that "facility for borrowing has in some cases induced carelessness in spending;" but he adds, "this inconvenience is deemed to be far less than that of paying out of the revenue of a single year." The true remedy for that "carelessness" is not to tax the industrious revenue-making population, but to denounce, expose, and check those who waste or misspend the resources of the nation.

Another point made by Mr. Fowler, and one that demands urgent attention in our ordinary public works administration, is the grievous waste that arises from buildings, roads, and railways being kept so long in hand—expenditure on the first stage of many works being comparatively useless until the whole is finished. Our splendid economists who lost their heads in the panic of September 1869, have many lakhs of utter waste to answer for, because of their ill-considered stoppage of nearly all works in progress. Whether a saner view of this great public question has yet obtained amongst the Olympians we have no means of knowing; but we may very suitably repeat Mr. Fowler's words, and say "We protest against a mode of payment for new works in India which would be scouted in England, the only reason why it is endured being that the people of India are not represented in the Imperial Parliament." Why do not they get themselves better represented there? Many constituencies who are sick of Whig and Tory would welcome a candidate whose long experience would make him an authority on Indian topics.

CURRENCY: SMALL NOTES AND SUBSIDIARY GOLD COINS.

A FEW weeks since we took occasion to refer to the continued neglect with which the small note and gold currency questions—long since virtually settled—have been treated by the Finance Minister. It seemed to us that Sir Richard Temple's unfitness for the office he holds is shown in these smaller and more obvious sins of omission as distinctly as in his glaring misapprehensions of the higher branches of Indian fiscal and economic administration. The other day, in introducing the Government Paper Currency Consolidation Bill (consolidation is a hobby of the day, which needs to be strictly watched), Sir Richard himself furnished a striking confirmation that our criticism on his smaller failures was just. Though this little Bill is a measure that may affect the currency and the treasury balances in a variety of ways, he was only thinking of "consolidation." As to currency, his thoughts were far afield. The Hon. Mr. Bullen Smith, on the contrary, had been thinking of the subject matter with which the Council was asked to deal, and very suitably addressed himself to it, apparently raising what should have been a good, broad discussion on the policy and methods of our currency system as a whole. But the Finance Minister "had not come prepared to discuss the subject"! He admitted that it was "occupying his close attention;" and, also, that several of the topics referred to by Mr. Bullen Smith—who was unreservedly supported by the other mercantile member, Mr. D. Cowie—were "under consideration" in the Financial Department. And Sir Richard went so far as to avow that he coincided with the views urged by the two mercantile members. This avowal took the form of a plaintive confession—an echo of what all the world has been saying for twelve months—that the Finance Minister is not strong enough for his place. Just think, for a moment, what is implied in the Councillor who ought to be the most influential member of the Executive, telling the public, that "if he could only have his own way, we should see what good things he would do"! Does not this casual remark throw a striking light on the evil courses followed by the Finance Minister—the reckless taxation, the utter subserviency to extravagant current expenditure dominated by the Horse Guards and other irresponsible home authorities, the scornful disregard of public opinion in India? . . . . . .

But it is of the smaller and much more practical questions of issuing five-rupee notes and gold coins of five and ten rupees value, that we have to speak in connection with Sir Richard Temple's confession of incapacity. As to the five-rupee notes, there is not a shadow of an excuse for their not having been issued any time these four years—that is, since the report of the Currency Commission of 1866 was published. Amidst the cloud of replies elicited by the universal inquiries of that body, there was not, so far as we remember, a single dissentient from opinions similar to those again unavailingly put forward the other day by Mr. Bullen Smith. If we are not under mistake, Sir Richard Temple was himself a member of that Commission. . . . And yet we have the Finance Minister, of all men, coming forward to invent excuses for interminable fumbling which deprives the country of a popular

paper currency! When Sir Richard says that "if the ten-rupee note had not reached the poorer classes, then one-half that value would not be more likely to reach them," it is simply impossible for ordinary mortals to comprehend him. The ten-rupee has very largely reached the "poorer" classes on this side of India, and pretty generally in other Presidencies. It has not reached the *poorest* and most numerous classes anywhere; but there is every reason, drawn from experience and analogy, to show that a five-rupee would reach the substratum, and thereby establish the note system and the credit of the *Sirkar* on a broad popular basis, that would not be disturbed by anything short of a political earthquake. Panics and manias, famine or prosperity, cause the line of circulation marked by the Rs.1,000 note to vary with undulations like billows of the Atlantic; but the datum marked by the tens is steady as the stream of a perennial river, varying only in the direction of increase by virtue of the gradual advance of the system amongst the artisan and small trading classes. The issue of five-rupee notes is originally needed to bring our paper money within reach of the smaller ryots, the coolies, and domestic servants—in favoured districts where the pretensions of this latter class are much more modest than amongst the *nokra logue* of Bombay. There is no room to doubt that in less than three years the number of five-rupee notes in circulation would be three times the present number of tens, and, at a minimum estimate, would form, by so much, a clear addition to the whole currency circulation, metallic as well as paper.* When Sir Richard Temple came to apologise for the non-issue of the five and ten rupee gold coins, he had a somewhat more plausible excuse for referring to the conflict of opinion amongst currency doctors. But this, again, is only an excuse for gross neglect both on the part of the Executive Council generally and the Financial Department in particular. The Commission already alluded to, in full view of the undeniable difficulties of the subject, and in spite of the impatience of extreme theorists, who would by decree force on the country a gold standard and the English sovereign, had arrived at a sensible practical conclusion which would unsettle nothing, but might facilitate the transition from a silver to a gold basis whenever the time should be ripe. This was, in brief, to issue gold coins of five, ten, and fifteen rupees each on the basis of the existing tola rupee of 180 grains troy. The one fatal gap in their proposals is that they hesitated to recommend that these coins be declared legal tender; but, we believe, the Executive possess the requisite statutory power to take this step at any time. . . . There is one change which would at once bring to India as much gold as our currency could absorb at the rupee standard rate—that is, the production or the partial manufacture in India of some article that would be largely consumed in the Southern continent. If we can send the Australians any article that will employ outward freight from India, the cost of gold here would immediately be brought within the limit required. But until we have a Finance Minister who shall show some adequate conception of the economical and commercial necessities of India, all our natural advantages and the favours of fortune may be neutralised or thwarted. . . .—*Dec.* 21, 1870.

Try the French Methods.

II.—It may raise a smile in some quarters if we turn to one incident amidst the terrible monetary difficulties of the unhappy French people, and seek to draw from it a suggestion that might be utilised in Indian currency management—if we really had a Minister of Finance. In another column we give an extract from the *Economist*, in which a summary is given of the different methods by which a small note currency has been arranged for and adopted in many of the departments of France. It would not be difficult to trace out some striking analogies between the abnormal condition of France now, when its ordinary currency has disappeared, and the usual condition of the Indian mofussil, where, between the copper pice of the ryot and the large notes or big money bags of the *soucar*, there is scarcely any "circulating medium." If there are any debateable Indian questions that have been finally settled—having been thrashed to shreds by controversy, and are only awaiting the firm hand of practical good sense—it is those which point to the

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* At last, in the year following, the five-rupee notes were issued; and in 1872 the value in circulation was Rs.13,76,995, which in 1878 had increased to Rs.20,80,315. Though the increase was not so rapid as estimated in the above article, the circulation of these small notes has been steadier and more numerous in proportion than that of the larger denominations. The aggregate circulation of the Indian paper currency has not extended as was expected. In the year 1871 the total value was Rx.16,370,360; in 1887 it was a little under Rx.14,500,000, though four years previously it was over Rx. 15,000,000.

introduction of five and ten rupee gold coins, and the issue of small currency notes at least as low as five rupees. In the way of the last named expedient there is no impedime t except that of downright stupidity or indolence. There are, indeed, certain superficial difficulties in the way of issuing gold coins on the basis of the rupee, but they are readily appreciable, and could be almost as readily overcome. Now, if Sir Richard Temple knows anything about currency business, he does understand these two questions; and he regards them—or, at least, used to do before he went to reside in the Currency Offices at the public expense—from the point of view indicated in our remarks. . . . . .

There are, at the present time, peculiarly strong reasons for bestowing attention on any suitable measures for making our Indian currency more expansive and mobile. It is as true now as at any other time when we have had occasion to affirm that fact, that India, as a whole, is exceedingly poor in floating capital—in money. But at present, in the presidency towns, there are stores of that commodity and "requisite of production," apparently, much in excess of the present demands of trade. It might be instructive to trace out the explanation of this anomaly. Some passages in recent letters by our Calcutta correspondent may serve to suggest directions in which inquiries on this subject would be profitable. That the congestion is only temporary we may feel sure, though, as yet, the remedy does not loom forward through the perplexities of ordinary commerce. We only refer to the circumstance of "money" being "plentiful" in the chief cities of a poor country, by way of illustrating one of the great commercial wants of India. Every one can see that, if our internal communications were complete, so that produce could be moved freely and cheaply up and down and across this great peninsula, then the wealth of India would be doubled at once, and quadrupled very soon. Somewhat for the same reasons, though not, of course, to anything like the same extent, would the wealth of the country be enhanced by largely increased facilities being given to circulation amongst the masses of the authorised currency. Not only is enterprise cramped in the Indian mofussil by our clumsy, because exclusively silver, money, but we believe the welfare, if not the very subsistence, of the cultivating and artisan classes is seriously circumscribed for want of a more expansive and more freely circulating currency-note system. This, as it took effect in the larger towns, would drive out the rupees into the villages; and the small notes—two and five rupees—would gradually follow them, to advantage of both State and people. We would, therefore, commend the small note movement in France, as interpreted by the *Economist*, to the attention of Sir R. Temple, if it were any use suggesting that *he* has anything to learn. As it is, we can only trust that this and weightier matters may attract the attention of thoughtful and practical men.—1870.

THE DECENTRALISATION POLICY DISCLOSED.

OWING to the suppression of all Minutes and other State papers, in which the tentative scheme of federal finance has been worked out, it is almost impossible to trace the principles on which it proceeds, or to know where to commence its examination. The *Englishman*, we observe, leaps to the end at once, and accepts the decree of December 14th as a parliamentary charter and a reform bill for the Indian Councils. The three Legislative Assemblies of Calcutta, Madras, and Bombay are to become the arenas of debate; and, according to its wont, the former city at once puts in its claim for more talking power, and, if possible, votes, whereby the ruler of Bengal and his satellites may be put in a minority in a division on the budget for "Provincial Services." In the penultimate paragraph of his great resolution, the Governor-General, in somewhat lordly style, washes his hands of responsibility; but we presume he would scarcely be prepared to see Mr. George Campbell "cornered" by a majority in the first division on the vexed questions of cess and local taxation in Bengal. No; the new measure will not carry us much further towards parliamentary forms, but it will do a good deal to compel increased publicity as to the disposal of public money and the management of affairs in respect of which ordinary observers can form a safe opinion. But it was not intended, and is not likely, to lead to any extension of popular power in the Western meaning of that term. It is to the local Governments that His Excellency "delegates" a "large additional share of administrative power;" and this is a great and practical advance if it be honestly and fairly worked out. We trust it will be; but after the atmosphere of grasping and bickering that has corroded the cogs and cranks connecting the Supreme and Local Governments, there will need the

constant application of a good deal of that bland and lubricating oil which Earl Mayo has sought to infuse into the ukase of last month. The freedom to distribute a certain fixed amount amongst five local departments will, in many instances, only change the venue of contention. . . . . .

The Supreme Government, because of its strong provincial bias, is incapacitated from framing an equitable measure of federal finance; and the Indian Council is, if anything, still less likely to see that the time has come, or is coming, for a thorough examination and readjustment of our inter-provincial financial relationships. In such an intricate and formidable task we must be content to hasten slowly. The present superficial and mere clerkly contrivance deserves welcome if merely because it breaks ground. It affords also another argument pressing for the appointment of the Select Committee of both Houses on Indian affairs, and for making the instructions to that Committee as wide as practicable. It is only before an independent and wholly disinterested tribunal of a dozen commoners and peers that the "Provincial" administrations of India have any chance of fair play.—*Jan.* 6, 1871.

THAT POLICY GRUDGINGLY OPPOSED.

II.—It might be plausibly contended by a sophist, desiring to defend our Indian rulers in withholding their best thoughts from the public for the longest possible period, that the practice has its advantages. It compels a perverse and impatient generation to spell out great questions for itself by dint of laborious guessing and industrious groping after first principles. When such a paltering excuse—and it is the best we can invent—shall be put forward to justify the course taken in withholding from the public the long series of able State papers of which the "Provincial Services" resolution is the outcome, we shall know how to deal with it. In that document we have shown us the gilded pinnacle; but where is the broadly based and well-proportioned edifice which it surmounts? Leaving that query to be answered by time, and the same solvent to test whether "Dutch metal" has not entered largely into the burnish of the said pinnacle, we proceed to pick up, wherever we may find it, instruction as to the architects' design. Some little may be gleaned from a brief, unpretending article in the Calcutta *Examiner*. This is mainly because, as we perceive, the writer has, at some time or other, gone throughout the initial set of papers in which were broached and first discussed the proposals for relegating some portion of financial power and responsibility to the provincial administrations. The writer still inclines to the views then stoutly maintained by Sir John Lawrence, and supported by Sir Henry Durand, who both, especially the former, revealed their ineradicable distrust of the provincials wherever money may be concerned. They declined, in more than some superficial respects, to yield an inch of that unquestioned control and final responsibility which they regarded as inseparable from the functions of the Supreme Government. To give the inch was with them to surrender the ell; and they maintained the conservative resistance against the majority, the opinions of which were ably set forth by Messrs. Massey and Maine, and backed by Sir William Mansfield in one of his cleverest minutes.

The Calcutta writer in the *Examiner* appears as if he were congratulating himself that the sturdy opinions of the conservative minority of 1867 have availed to divest the new measure of what they deemed its fatal tendency. He rejoices that though "there was a danger of decentralisation, that danger has been avoided." Therefore, though the central bureau has given up its primary and immediate control of £5,000,000 sterling, or one tithe of the whole revenue, we are to understand that the right of supervision still retained, and the power of veto somewhat ostentatiously paraded in the December resolution, will suffice to maintain, or—after a brief indulgence granted the provincials—to reintroduce that rigid and arbitrary interference by the Olympians which that ukase professed to remove for ever.* . . . . . .

The grand and as yet insoluble difficulty that exists in Madras is the same as that which deranges the inter provincial finance of all the rest of India—a difficulty which Earl Mayo and his colleagues have wholly ignored. There are in Madras certain extensive

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* This arbitrary interference was literally exercised when, after a dozen years' enjoyment of local control, the provincial Governments were made to yield up the surpluses and increases from the small revenues they had thriftily administered. This reactionary course was taken, under a cloud of sophistical apologies, to fill up the deficits caused by the Supreme Government's military expenditure and reckless trans-frontier policy.

districts, more especially in the northern portion of that Presidency, where the one proper resource of Indian rulers, the surplus rent, was long since made over to zemindars or other unproductive *rentiers*. There, as in Bengal, the cultivators have been rack-rented up to the capacity to keep body and soul together; and the effects in those districts, of the "rather violent efforts to create a large local fiscal revenue," may readily be guessed. Lord Napier knows those wretched districts well. When in the famine of 1866 Sir Cecil Beadon and the Calcutta Board of Revenue were asleep, His Excellency went into Ganjam and other zemindari districts to see for himself the condition of the miserable population. But when, at a later period, he and his colleagues displayed so much zeal in developing local fiscal resources, they bent their attention almost exclusively to the ryotwarée districts, where, though the ryot is not protected by a long settlement as in this Presidency, he has in most seasons some margin of profit and life on which "the rather violent efforts" of local funds developers may work with comparative impunity. The respective conditions of those "two nations" in the Madras Presidency was, some time since, set forth in a small pamphlet by one Mr. Willix, who describes himself as "a ryot." Though he did not, perhaps, bring out the facts and contrasts so forcibly as a skilful revenue Secretary might have done, his statements and the official documents he quotes are sufficient to throw very striking light on the peril that may be incurred by forcing through a measure of decentralisation on the basis of existing inequalities. We cannot reiterate this view too often, for the Calcutta bureau refuses to look on that side at all; and unless the one Bombay member should put out all his strength, an all but irremediable mistake may now be made. Whilst we thus lift up the voice of warning against an inequitable arrangement affecting provincial taxation, it must not be supposed that we relax in our conviction that a just and intelligent redistribution of revenues is urgently called for.—*Jan.* 9, 1871.

Provincial Inequalities Aggravated.

III.—There is one simple, straightforward method of testing whether the recent grants for provincial services are adequate and equitable, as between the different provinces, which, though we have familiarised it to our own readers, may suitably be applied once more to the "permanent settlements" under the December resolution. We republished about two months back, under the title "The Other Side of Decentralisation," a full table (taken from our paper in March last year) in which the revenues really produced by the three Presidencies respectively were compared with what is equitably to be expected from them on the basis of their several populations. This calculation was drawn up with reference to imperial taxation. It showed that Bengal falls short of its proper contribution by nearly £3,500,000 sterling; and that, because of such deficiency, Bombay pays £2,500,000 in excess, and Madras over £500,000. Now, with regard to the present grants out of the central fund to which Bombay has to contribute so unduly, the calculation on the basis of the revenues which the several provinces do really raise for themselves is a simpler matter, but will, we think, prove still more condemnatory of the grants now arbitrarily shared out. These are for "provincial services;" therefore, the question is, what are provincial revenues? That is, what portions of the whole funds hitherto claimed by the Supreme Government are those on which the provinces have a first claim, and which, on equitable fiscal principles, essentially pertain to the provincials themselves. The assignment of certain paltry receipts is merely a matter of convenience, and is in no way referable to principle at all; indeed, it might fairly be contended that the only item of revenue proper which the list contains, that of "registration," is strictly an imperial one.

The readiest method, and for all practical purposes the most distinctive and correct principle to follow in differentiating imperial from provincial revenues, is to mark off those two or three obviously belonging to the Empire as a whole, though because of peculiarities of soil or geographical circumstances, they are raised or collected in particular parts and Presidencies, but are either paid by consumers generally all over India, or form, clearly, a sovereign appanage like the royalty of mines or the profits from coinage. This last, however, as well as registration, we shall let go in to the provincial revenues, partly because while small in gross amount, they are in good degree due to the activity of the commercial communities in which they are collected. We shall, therefore, as before, deduct from the gross amounts of revenue collected in each presidency or province the three large items of Opium, Customs, and Salt, showing the residue that remains as existing provincial

revenues, which afford the proper factor wherewith to compare the grants given for provincial services. The total gross revenue (exclusive of military and public works receipts) raised in India during the twelve months ending December 31st amounted to £50,768,335—which, by the way, according to the proportion of increase borne by 1870 to 1869, would promise fully £51,750,000 for 1871. In this comparison we must necessarily accept the net assignment to Bengal—£1,168,592—as the standard of adequacy.

What, then, is Bengal's provincial contribution? We enter the total collected in that Presidency during 1870, and deduct from it the three imperial items aforesaid, the proper proportion of which goes to pay for Bengal's obligations on imperial account. These are the particulars :—

Bengal gross revenues		£16,123,140
Opium	£5,473,078	
Salt	2,595,926	
Customs	1,131,809	
		9,200,813
Bengal provincial revenues		6,922,327
Bombay gross revenues		9,896,345
Opium	2,474,106	
Salt	721,556	
Customs	808,406	
		4,004,068
Bombay provincial revenues		£5,892,277

But if

Bengal.		Provincial Assignment.		Bombay.
£6,922,330	:	£1,168,592	::	£5,892,270

We make the quotient of this sum in simple proportion to be £994,700, showing a deficiency in the grant to this Presidency of £114,625. Now we do not see how this argument from comparison is to be met. If 116 lakhs is a proper sum to allot to Bengal for its provincial services in virtue of the provincial revenue which that Presidency produces, then 88 lakhs is much too little for Bombay. On the other hand, but on the same basis, if 88 lakhs is a fair acknowledgment of the large revenue raised by Bombay strictly within her own borders and at her own sacrifice—by far the largest revenue per head in India—then 116 lakhs is much more than is due to the eastern Presidencies. If our provincial revenue of 589 lakhs merits an allotment of 88 lakhs, the utmost that can be claimed in virtue of Bengal's 692 lakhs is a grant of 103 lakhs. The new Lieut.-Governor appears to be satisfied with his portion. And he has good reason to be. . . . . .

Such are the curious results of decentralisation or federal finance by rule-of-thumb, which is a totally different thing from that conception which the *Economist* (just to hand) has deduced from Mr. Grant Duff's "pleasant illustrations" of Indian finance—a creation of "many Indias for financial purposes, each with different revenues and different expenditures." We do not deny that this would be an *avatar* such as India desires. Such a scheme which the Under-Secretary has expounded at home is like a transcript from the large polity of Brobdignag; but the December resolution savours of the training and politics of Lilliput. While we acknowledge there is a glimmering of principle in the selection of administrative departments turned over to the care of the provincials, it cannot be admitted that there was any necessity, in doing this, to set up an obnoxious financial inequality, or to stereotype the existing fiscal injustice. This has been done, but from the first it must be understood that the present arrangement cannot stand. It is in an inverted order. Some regard must be had to the sacrifices which each province is now making to support the imperial revenue; and, as we have shown, the fiscal productiveness of Bombay itself has been utterly disregarded. Again, we have yet to learn how, under the larger portion of the grants, the really provincial wants of Bombay have been served. Of the 88 lakhs given this Government to administer, more than 29 are for public works. What proportion of these, on which the corresponding sum was expended in 1870, are for civil buildings for semi-imperial purposes required by the metropolitan position of Bombay, and for "miscellaneous" works of a semi-military character, or such as are inevitably needed by the great port which serves more than one-third of all India? However the case may

stand from this point of view, it is a grievous wrong that, after receiving from Bombay "provincial" revenues in fuller tale than from any other part of India, the central Government should compel this Government to tax its subjects for provincial services. Our own revenue officers could do that effectually without this extraneous and needless stimulant.—*April* 4, 1871.

Revived Transit Duties.

IV.—The December resolution was to do wonders in the way of developing local government and evoking public spirit amongst taxpayers. Perhaps it may eventually lead to these blessed results; but, in the meantime, it will have a contrary effect, so far as entirely to undo the influence of Sir John Lawrence's admonitory decree issued in 1868 against the rapid extension of town duties and *octroi*, which had then, as the Calcutta Chamber of Commerce showed, raised up serious obstacles to inland traffic. By that wise resolution—issued under Sir R. Temple's authority—a check was given to the insidious movement under which an imitation of the old transit duties was steadily growing up, and which had nowhere been more rife than in Nagpore and the towns under that capital. But under the pressure of decentralization, we are drifting back towards the vicious system of tolls and taxes at the gates and on the roads. This time the N.W. Provinces are prominent in this reaction towards mediæval fiscal policy, as we are reminded by the sight of a magnificent page of foolscap, headed by the lion and unicorn—one fighting for imperial, the other for provincial taxation—and published "by order of the Honourable the Lieutenant-Governor, North-west Provinces." . . . . . .

Long before the famous Allahabad debates on provincial taxation took place, a general ukase had been issued from that seat of Government, authorising the levy of these charges not only on piece-goods, garments, and metals of every kind, but on food, and almost every article that could be enumerated. . . . . .

Of course, it is well understood that these are only taxes on consumption. We dare say there are in Sir William Muir's territories elaborate rules providing for the return of town duties levied on goods that may not have "broken bulk," or have only passed through *en route* to another market. That statesman would shudder with undissembled aversion at the bare idea of the odious transit duties being revived under his administration. But there is a danger, nay, a certainty, of this. If any experienced district officer will take the pains to trace back the various manufactures, both "Europe" and "country" goods, purchased by the bulk of the people, he will find that a large proportion of the articles have passed through a series of *octroi* towns, in each of which the one and a-half toll has been levied. The aggregate of these tolls, together with the same taxes on the food supply of the dealers and carriers, go far to nullify our boast of internal free trade, and must do very much to check that dissemination of small lots and cheap goods which are so urgently needed by the peasantry and all persons of small means. It is high time the Resolution of 1868 against Town Duties should be republished, with additions up to date.—*June* 1, 1871.

THE ROOT OF INDIA'S FINANCIAL DIFFICULTIES:

One Remedy Suggested.

WE have to congratulate Calcutta, because its political spirit has survived the assurances that the Income-tax is to be abolished, or nearly so. The "Petition to Parliament" (copy of which appeared in our columns yesterday), praying, *inter alia*, for "a more statesmanlike and economical administration of the ordinary revenues of the country," is one that has the good old English ring about it, and is in many respects well worthy of a community in which British merchants freely take the lead. Though originated in Calcutta, this movement is by no means a local one. The petition, as would be observed, is superscribed as from "inhabitants of British India," and we understand it has already received many signatures in other towns and cities of eastern and northern India, in addition to those subscribed in the capital of Bengal. . . . . .

It is a mark of increased political thought in the commercial community of Calcutta to notice so much attention being given to that skeleton in the financial closet—the Home charges. If the petitioners' zeal in the public service does not wax cold when the Income-tax blister shall have been mollified, the Calcutta mercantile men may find, on due investigation,

that more than speculation, over-production, or all other purely commercial causes combined, the depression under which their trade has languished—while the safes of the Bank of Bengal are full of money waiting to be employed—is due to the pressure on consumers and producers in this country caused by the Home charges; expenditure out of current revenue on unproductive or very slowly remunerative public works; and enormous military charges; and that the most impoverishing of all these is the first. The pressure on our industrial resources caused by the last of these burdens is in great measure included in the first, while most of the outlay on public works, though withdrawn from immediate productive purposes, remains in the country, and gradually returns to the channels of trade. It may be regarded as a good beginning for Calcutta that her public men have put forward a claim on behalf of "the people of India" to be furnished with a full account of the disbursements made on their behalf in England; but this is only a step. This clause in the petition will be met by the Secretary of State pointing to the "Home Accounts of the Government of India," which are regularly issued to Parliament. The rejoinder to this will be a reference to a certain good line in the petition asking that "a power of practical control (over those charges) shall be vested in the Government of India." Of course the question arises, would this Government exercise such control—does it now courageously exert such power as it possesses? We fear not. The Indian Council at home is supposed to supply the place formerly occupied by the Board, ironically designated, "of Control;" between it and the Simla Executive the Secretary of State, or his irresponsible subordinates, get pretty much their own way. This being the state of things at present, the petitioners make a strong practical point when, speaking with just confidence as mercantile men, they call attention to the extravagant quantities and heavy cost of "stores" purchased for Indian account at home, and to the delay and irregularity in supplying them. But these two heads of complaint in respect of the management of the Home charges, though very proper to be preferred, only touch the surface of the subject. Before Parliament meets another year, we may hope that the leaders of public opinion in Calcutta will be prepared to go to the root of the matter, that they will be ready to demand the reason why the charge of maintaining the connection between India and England should be wholly borne by the weaker and poorer country, and to ask how long the present inequitable drain of capital is to be kept up. Such an inquiry in their hands might lead to large and continuous reform in Indian financial administration, which can be obtained in no other direction. If, as Lord Lawrence has proposed, India should be relieved of all charges for troops not actually in this country, the cost of transport also being paid by those who really control it at home, the position of India in Parliament would be altered in a single session. It may be considered a low motive to bring into play, but such is human nature. When the British taxpayer found that his pocket was being touched, he or his representatives would discover a wonderful interest in resisting schemes for unproductive expenditure in India, and very useful zeal in supporting the efforts of the public here in checking the growth of establishments, and in protesting against the maintenance of a military system, the cost of which is in reverse ratio to its efficiency.—*Feb.* 7, 1871.

DECENTRALISATION AS APPLIED TO BOMBAY.

SIR SEYMOUR FITZGERALD'S address on laying his provincial budget before Council was in every way suitable to the occasion, but it was necessarily restricted in its scope. Had he kept his audience another hour, that time might have been usefully occupied, after the manner followed by the Lieut.-Governor of Bengal, in close comparison of the amounts expended in former years on the several services to be dealt with. Possibly the President wished to leave to the Chief Secretary and the Revenue Member of the Council opportunity to explain in greater detail what are the minimum necessities of this Presidency in respect of police, sanitation, general improvements, and smaller public works. Between these two members—one speaking from recent knowledge, the other from ancient experience—the Council and the public may yet hope for much information on these subjects of every-day administration. The whole field is familiar enough to them. They may, indeed, feel that anything would be trite that they may have to tell about—the number of police in particular districts, and their rates of pay; the position and claims of various collectorates as to water supply for villages, irrigation, and roads; the varying value of money in different parts of the Presidency as measured by the rate of labour, the prices of produce, and the greater or

less command of markets. Though all these things are spread out clear as a map before the mind's eye of the Chief Secretary and Revenue Member of Council, the present is a time for them to condescend to the ignorance of the general public, who are, indirectly, asked to accept the "provincial grants" as fair allotments, and to give their assent to certain fiscal experiments, the success or failure of which must depend on a host of circumstances with which even the "additional" members must be but imperfectly acquainted. But beyond these matters of detailed management in the mofussil which make up so large and so vital a proportion of our administration, there is special need just now for full explanation in regard to public works' development and expenditure, which are proceeding in four or five different grooves of administration. . . . . .

The outside world are fairly curious to know by what stages His Excellency and his colleagues became reconciled to the inequitable measure meted to this Presidency. It would be very useful to know what is behind the significant remark by the Hon. Mr. Tucker—"I was averse to accept the measure both on account of its extremely limited scope and the many patent defects which were apparent in it." No member of the Council is better able, none so well placed as Sir Seymour Fitzgerald, for vindicating the financial position of Bombay in the Indian system. He is as yet free from responsibility for such extravagant or abortive schemes as the Italian palace at Gunnesh Khind, the Hydraulic Lift, the Moody Bay desolation, the Prongs Lighthouse, or the numerous "standard" barracks which have been inflicted on this Presidency. We criticise as freely as any Calcutta writer the officials or departments responsible for waste of public money. For two reasons it is entirely beside the mark to thrust forward the expenditure account in reply to pleas for financial justice to this Presidency. First, because the Government of India itself and the Secretary of State are jointly responsible with any local authorities here for such misdirected expenditure as that to which we have referred; second, the basis on which grants to this Presidency should be calculated is its revenue-producing capabilities compared with those of other provinces. Sir Seymour Fitzgerald is bound, sooner rather than later, to insist on justice being done to this Presidency in this respect. No amount of emphatic eulogiums on "the wisdom and foresight of the principles" on which the present clumsy and unintelligent decentralisation measure professes to proceed will exonerate His Excellency from the statesman's duty which he is called upon to perform. Familiar as he is with the prepossessions of English politicians, and seeing clearly, as he must now do, what half-knowledge on Indian affairs they have to be content with, nothing could be easier than for him to enlighten them by sketching a complete outline of the interprovincial relations of the several divisions of this great peninsula. Such a sketch, if touched in with the colours used too sparingly the other day, would supplement what is required to popularise heavy works of substantial excellence like Col. Chesney's "Indian Polity," and might serve to explain anomalies hitherto incomprehensible to many of Sir Seymour's former associates on both sides of the House. Were he to take such a stand in public—we doubt not he has long since done so in subterranean correspondence—his position would be vastly strengthened as regards the central bureau in India, and he would be raised in general estimation as a statesman. Taking the lowest ground of mere arithmetical comparison, Sir Seymour would have added force to his very mild expostulations of last week had he shown in his own way (as we did on the 4th in ours) that if these "assignments" had been made to Bombay on the same scale as the Bengal grant, in due proportion to the "provincial" revenues actually produced by this Presidency, he would scarcely have had any tax to propose. Instead of having a total grant *with receipts*, of £968,477, and a deficit of £95,270, he would have had a grant of £994,700, and a deficit at the worst of only £68,300. Then if His Excellency were to proceed to point out such glaring anomalies as those revealed in the table on the comparative "Population and Land Revenue" published in connection with the Railway Minutes of last year, he would be taking a definite step towards that larger and more equitable measure of decentralisation which the next Viceroy will have to carry out.—*April* 14, 1871.

II.—That increased and more lively discussion on questions of local expenditure and taxation which Sir Seymour Fitzgerald anticipated as one of the desirable results to follow from the provincial budget system, has already set in with such stress that we are scarcely able to keep pace with it. Our yesterday's paper contained full report of a long Council meeting on Friday, and to-day the legislators meet again, mainly, perhaps, to take up what it is convenient to speak of as the "family-tax Bill." With much pleasure

we take leave to congratulate the gallant Secretary in P.W.D. on the statement relating to "provincial" public works in this Presidency. The details given are as full and explicit as could be looked for within the compass. The tone is reasonable and genial, the explanations given are plain and practical, and the position of the Department towards the Treasury and the public is frankly stated. Very few will have yet had opportunity (certainly we have not) of comparing the different items in Colonel Kennedy's speech with similar charges for former years; and it is not easy for any outsider to enter into comparison between the allotments sanctioned by the Executive and the numerous claims rejected. Such particulars as were possible to be presented under aggregate amounts were laid before the Council towards enabling it to judge of the tact with which Sir Seymour and his colleagues have exercised the policy of "natural selection." This makes it very plain that the course taken by the central Government has forced the Bombay Government either to acquiesce in wasteful neglect, or to indent for public works' purposes on the current incomes of the people. . . . . .

Seeing the large space occupied in our provincial finance by the 44 lakhs public works budget, we need not apologise for dwelling on that division of Friday's meeting; but we regret to have to speak of other interesting topics very curtly, if we glance at them at all. The Hon. Mr. Tucker's, the chief speech of the day on general policy, deserves full notice by itself. Very much of what he said in allusion to the inevitable increase of expenditure caused by modern demands of sanitation and the higher sense of administrative responsibility forced on rulers at the present day, applies to the whole problem of Indian government. We must meet those demands; we must act up to that responsibility; but the honourable member, and His Excellency also, seem to forget that all this is beside the mark in an argument to settle whether this particular part of India shall accept a certain amount of new taxation imposed virtually at the bidding of a distant authority. Whilst it was official and proper to acquiesce even in the clumsy plan on which the Government of India introduced a beneficent revolution, we had hoped to see in our local legislators some indication of provincial independence, and rather more consideration for the municipalities and district populations on whom the new burdens must fall. It seems to be forgotten that if this Presidency already contributes much more than its equitable share to the "general revenues" of India, then the transfer to municipalities of charges hitherto borne by those general revenues will be felt as injuriously burdensome. With regard to Bombay itself, the result of this change, acting together with other causes, may bring about a municipal collapse; and we regret to observe that the members of the Executive have still such an inadequate appreciation of the position of Bombay itself in regard to its civic finance.—*April* 25, 1871.

SIR GEORGE BALFOUR ON MILITARY FINANCE:

Sham Control—Unprofitable Expenditure.

GENERAL BALFOUR writes to the *Times* a brief letter (reprinted elsewhere) which is by far the most telling criticism that has yet been applied to the expenditure side of our last Budget. He turns inside out Sir Richard Temple's rose-coloured statement that the military expenditure in India "is less than of any year since the Mutiny." This was exactly adapted to catch the eye of home readers; but General Balfour shows how utterly fallacious is such an assertion—though the bare figures of the two periods may tally. The General points out that both English and Native troops have been so far reduced since 1862-3 that, at the rates of cost then established, our Army expenditure ought to stand at £3,000,000 *less* than it now does. This is not all. He remarks that the actual expenditure has even increased since 1863-4 by £1,500,000, notwithstanding that India has been relieved of charges for 15,000 European troops. It would have been well to explain what troops are here referred to; but the gallant financier is certain to be correct as to the fact. It is possible, however, that he may be mistaken as to the Nizam's Contingent having been a charge on our revenues at that period. That force has always been debited to the Berar revenues, though the account might be in arrears.

General Balfour then scrutinises the Army expenditure in India alone (£12,410,000). He takes up Sir R. Temple's little saving against 1862-3 of £510, and with quiet irony points out why this fact is unworthy of mention—indeed, shows that it is an utter subterfuge. Since that period we have dispensed with Native troops which cost £2,000,000 sterling; but the outlay on the force as thus diminished, has increased, as just mentioned,

by close on £1,500,000; while, as Sir R. Temple himself admitted, the apparent increase of our military charges at home is due to furlough pay and other allowances formerly paid in this country. The gallant General also makes sad havoc of the Finance Minister's apology for the rapid increase of expenditure on military stores during the last three years. Sir Richard had hinted or suggested—we forget which clever device was adopted—that this increase is connected with "the introduction of new weapons." . . . . . .

General Balfour "cannot conceive any justification" for the circumstance that the military expenditure of India is £3,000,000 per annum more than it ought to be. He says this with a full consciousness of all that is required for efficiency and completeness of equipments—points in regard to which the gallant General is one of the best authorities. Many other persons besides this professional critic are at a loss to conceive, not only why this country is paying millions more for unproductive expenditure than is due for the services received, but why a Finance Minister should be tolerated who has no eyes to see this terrible fact. The short letter in the *Times*, from the competent military financier, when it is put alongside the Budget statement—to say nothing of the numerous apologetic speeches required to back up that artistic State paper—affords an excellent illustration of the difference between real and sham workmen, between mere accounting and actual control of the finances. The most mortifying consideration for Indian taxpayers in connection with this letter is, that so much ground has been lost since General Balfour himself did so much to bring down the Army expenditure to that figure of 1862-3. Reduction of military expenditure is confessedly one of the most difficult to which a financier can apply himself. To be effectual without sacrificing efficiency or inflicting injustice, it must extend over several years. The influences that are ever tending to increase of establishments, especially the ornamental and more expensive branches, must be firmly and continuously combated with. Since General Balfour and those associated with him ceased their control of our Army outlay, all those influences, favoured by home interests at every turn, have had full swing. The result is, as he has so pithily described, decrease in efficiency, decrease even in numbers, but ever-mounting increase of cost. How long is this to last?—*May* 5, 1871.

Figures that Hide the Facts.

The outcry against that terrible surgeon of the old school, General Balfour, which comes borne on the breeze by way of Allahabad, is one indication, amongst many more, that it is high time India had some Controllers with courage and persistence enough to exercise control. It has long been understood that our conventional term "control" only refers to account and audit. It is on other and more highly placed functionaries that we must place the responsibility for expenditure increasing at a greater ratio than efficiency, and for financial pressure becoming heavier than the current resources of the nation can sustain. We do not think there is any such good fortune for the Indian taxpayer as General Balfour being sent to try to make good his astounding statement; but this hurried protest that has been raised against the bare suggestion of such a mission, recalls General Norman's very comprehensive statement which forms one vertebra of that great political kraken, the Budget debates of 1870. In that paper there was set out very clearly—especially in the long quotation from Mr. G. W. Kellner's memorandum—most of the changes which have affected military expenditure during this last septenniad, between the extremes of which the ancient controller at home has drawn so sharp a contrast. We have in General Norman's statement, as in Sir R. Temple's budget, clear narration, and, apparently, a full list of the facts on the surface; but the tone is one of apology and optimism throughout. No one gets even an inkling of that startling discrepancy, between figures that seem and facts as they are, which the short letter in the *Times* has revealed. . . . . .

The broad facts that General Balfour has pointed out cannot be gainsaid. What is there now to show for the troops which in 1862-3 cost £2,000,000 sterling? Nothing—but the £2,000,000 of charge still remaining. And how is it that the total expenditure for the smaller force is more by £1,500,000 than for the larger one in 1862-3? Possibly the estimate that we are now spending £3,000,000 unnecessarily may be £500,000 or so in excess; but there are various indications that go to support the stern General's accusation.* Take this sentence, for instance, from the *Statesman's Year Book*—

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* The above comparisons were drawn eighteen years ago. Let some competent Army accountant go through the military statistics and expenditure of the Government of India now that the Army charges are nearly £20,000,000 sterling, and the chief cause of the Indian Government's impecuniosity will become apparent.

The total cost of the Indian Army in 1857, the year before the Mutiny, with 45,552 Europeans and 232,224 natives on the pay-rolls, was £13,874,956, while in the financial year 1868-9, when there were 64,858 Europeans, and 120,000 natives on the pay-rolls, the charges amounted to £16,044,061.

Some little actual reduction has taken place since 1869; but it is the chuckle over that small achievement which has brought down on our too complacent financiers the salutary scorn of this pitiless controller, who was "raised," we believe, in that good school, the Madras Presidency. Supposing we admit there may be some aptness in the designation of *Sangrado* as applied to the financier dreaded of the Military department, what shall we say of the practitioners under whose care the patient has been left so long that nothing but amputation or phlebotomy will now serve his turn? The gruff surgeon of the old school would have averted plethoric conditions by the laconic prescription—"keep him short," enforced, if need be, after the fashion of Abernethy in applying a cudgel to the shoulders of nurses whom he might detect coddling the patient with the rich and luxurious food which has proved so inconvenient for the revenue and taxpayers. . . . . .

With a heavy fixed charge for public works, which need to be supplemented with others constructed on far better principles, we cannot stand still; neither can the country sustain the present heavy drain on its current resources. The two great heads of our expenditure require to be dealt with far more resolutely than has yet been attempted—the one demands absolute reduction as speedily as may be, the other requires wiser finance and more economical outlay. For the former there are other men of the stamp of General Balfour to be found; and for the latter, men compounded of the qualities of Colonel Strachey, Sir Arthur Cotton, and Colonel Tyrrell (whose essay we reviewed the other day), are to be had by making diligent and impartial search. Neither of these classes of administrators are likely to abound amongst the more comfortable classes of officials who congregate at Simla; but it is Lord Mayo's own fault if he does not reach beyond that close circle.—*May* 10, 1871.

LOCAL TAXATION—IN ENGLAND AND INDIA.

MR. GOSCHEN has lately introduced into Parliament a measure for the regulation and improvement of local taxation in England which deserves the careful and attentive consideration of our Government in this country, where the *idea* has now, for the first time we may say, assumed definite shape and official recognition. The circumstances of England and India are, in respect of local self-government, antipodal. In England the people for centuries have been accustomed to rule and regulate their own affairs; here the people for centuries have been accustomed to lean on the *Sirkar*.* The *Sirkar* has been to them *ma-bap*;† and hence it is that we hear so much of what is termed paternal government—a form of government which is peculiar to the patriarchal stage of society. We have been endeavouring to emancipate the people from the thraldrom of leading strings, and though our efforts have not in all respects been encouraging, there can be no doubt that if young India aspires to have a voice in the management of the affairs of the nation, it must do much more in aid of the Executive than clamour for well-paid appointments. A sum of about £70,000,000 raised by Imperial taxation represents the annual revenue of Great Britain; but in addition to this there is raised by local taxation about £30,000,000, or nearly half as much again; making a grand total of £100,000,000. . . . . .

In India we have no available district wealth to come upon for local rates such as exists in England, and which, at a very low percentage indeed, produced the enormous sum of £30,000,000 per annum. Our country is poor; our population is poorer still. In matters of local taxation we must proceed with extreme caution, lest without knowing it we be guilty of oppression. It is not so much, then, with the view of suggesting the necessity of devising new schemes of local taxation that we have drawn attention to Mr. Goschen's scheme; but rather, as local taxation of any kind has very lately been introduced into India, of recommending that in any measures that may be adopted in this country, its great principle, "simplification," be not lost sight of. In all systems of taxation for all countries this is of great importance; but in India and throughout Asia its importance is intensified four-fold, because the people are very poor and very ignorant; and require to be protected from

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* *Sirkar* = the State—from policeman to Governor-General.
† *Ma-bap* = mother and father—*i.e.*, parents.

the tax-gatherers, who, if opportunity offers, will most certainly prey upon them. It is for this reason mainly that an Income-tax, or a direct tax of any kind, should be cautiously applied in India. Taxation would also be relieved of half its terrors if every one had but one tax to pay, and knew exactly how much it was, and to whom he had to pay it. Every one now understands that the magnanimity of the Government of India in resigning to local Governments £3,000,000 or £4,000,000 of what has hitherto been Imperial revenue for the purpose of Public Works, Police, Roads, Schools, &c., has been tempered by a desire to raise a larger revenue than heretofore by local taxation, leaving the responsibility of doing so to others. Our local Governors are therefore bound to be very wary lest they fall into the trap laid for them; and as a safeguard in the exercise of the new power placed in their hands, they would do well to keep sight of the principle approved by the latest legislative enactment at home—viz., Simplification. A hearth tax, a poll tax, are primitive modes of raising a revenue; but we willingly believe the natives of India would prefer either if they knew exactly what they had to pay, once and for all, and were relieved from vexatious inquisitiveness and the probability of oppression. We believe also that an infinitely larger revenue would be collected if some intelligent means less objectionable than the Income-tax were devised of imposing whatever portion of the taxation of the country it is thought necessary to make direct. . . . . .

In India we have not a representative government, and consequently no franchise to sell, as it were, to the public; but ambition, pride, envy, and similar feelings common to human nature, are as strongly developed in the natives of the East as the West, and it would be quite possible efficiently to protect the public purse without having resort to measures which tend to make our Government as odious in the eyes of the natives as the Income-tax has done. We do not propose for adoption any such system as we have here alluded to, but we do desire to see our Government introduce some system of taxation in accordance with the habits, customs, and traditions of the people; and emancipate itself from those fixed ideas of taxation which, however happy and successful their application may have been in Great Britain, are wholly unsuitable to the people of the East. If we are ever to educate the people of India, we must show them that our best men have some originality of thought, and are not, like the great majority of those we have brought up in the new school of British India, pure imitators.—*May* 16, 1871.

THE HOME CHARGES IN 1868.

SOME few weeks since, we received copy of a Parliamentary return moved for in March last by Mr. Eastwick, which purports to give "Statements in detail of the Effective and Non-effective (military) Charges entered in the Home Accounts" for the two years 1866-8. The return also includes list of the amounts charged for European military stores during the four years ending 1869-70, and specifies the sum debited to the Governments of India, Madras, and Bombay respectively. . . . The first, and by far the most important single item in all the statement is "The Imperial Government for Troops serving in India." In 1867-8, the later of two years given in detail, it stands at £738,620; but in the year following, the same item was only £620,000 (1). That large amount the return divides only into three heads, "Capitation rate at £10 a man on 63,000 men," £630,000; Balance at credit of War Office of claims by Imperial on Indian Government, £100,000; Expenses of supplying non-commissioned Officers of Engineers and Sappers during four years, £8,620. This method of capitation rate reappears under the "non-effective" division, where £220,500 is entered for the same 63,000 men at £3 10s. each, "on account of retired pay, &c., of troops serving or having served in India." . . . Possibly these capitation rates are contrived so as to cover those heavy charges for recruits that are about to be made much heavier, and in deprecation of which Colonel Sykes is about to move in Parliament. Had the Select Committee set about their work like business-men, instead of following a method suitable to an antiquarian club, we should already have learned everything about these capitation fees and recruits' charges, and probably some check would have been given to the monstrous increase now threatened under the latter item.

In the ordinary accounts, "Stores" appear under the "Effective" division—though certain Snider cartridges now being consumed in this Presidency are notoriously "non-effective." In the accounts for 1869 the total of this charge is £872,621; and the return

(1.) In the Budget for 1888-9 the corresponding charge appears as £1,353,500, or nearly twice as much.

gives no details whatever—only the sums debitable to the three military territories of India are separately specified, and the cost of freight on the whole is stated. This will do nothing to satisfy the Calcutta memorialists, for instance, who regard these store accounts as the most open to suspicion, and the least defensible in the whole list of home charges. Undoubtedly there is ample scope for scrutiny of this item. . . . . .

Of the £1,136,128 total "Non-effective" charges—the items of which are nearly the same in return as in account—more than half, £750,806, is for "Retired Pay," mainly "Colonels' allowances," of which £144,097 appertained to Bombay officers. In 1870, the charge for retired allowances was £9,000 more; and though for the present year the Finance Minister hopes there will be a pause, every one knows that unless a satisfactory retirement scheme is adopted, and the Staff Corps' rules of promotion are modified, this charge for non-effectives will speedily bring us to another Income-tax. Besides the Lord Clive Fund pensions, £164,822, the remainder of the non-effective charges in 1868 consist of the £220,500 capitation rate on the "63,300 men," already referred to. . . . . .

In the financial year just closed, the military expenditure by England on behalf of its colonies was £1,905,536—being considerably less than in the year before, and omitting all charges for equipment, stores, recruiting, &c. In addition, the colonies themselves contributed £309,000 for pay of troops actually on duty therein; but neither Canada nor Australia paid one shilling of that sum. The practice of the "mother country" towards India in this matter of military charges is the reverse in all respects of the indulgence shown to her ungrateful daughters, the colonies, who impede her trade by levying adverse tariffs. In the year 1867-8, in which we have noted the more important details of military expenditure charged to India at home, the total was £3,499,929. The corresponding estimate for this year is £3,574,000 (2). Suppose England agree to defray half that charge, which is for the mutual benefit of both countries; the relief to India would be far more than is represented by saving the mere payment of £1,750,000 per annum. That amount would be left in this country to fructify in commerce and agriculture, instead of being paid away on the other side of the globe, whence it can never return to the floating capital of India. Whether Lord Lawrence's proposal be adopted—that India shall only be called upon to pay for troops actually within her coasts; or Sir G. Wingate's, that while India should pay for sending troops home, England should defray the cost of sending them out, and that of the depôts and other items which aid the home garrison,—some means will have to be agreed upon of rectifying the one-sided bargain by which India pays all, and England nothing.—*June 3, 1871.*

INCOME-TAX COLLECTION—CALCUTTA AND BOMBAY.

ABOUT a month ago one of our Calcutta contemporaries entered into certain comparisons concerning the methods and policy adopted in the collection of Income-tax in that city and Bombay, respectively, which it may be well even yet to notice. Those remarks referred entirely to the financial year now closed; and we are quite aware that with the reduction from $3\frac{1}{8}$ to 1 per cent., and the raising of the minimum chargeable to Rs. 750 per annum, more than $\frac{17}{25}$ of popular interest in the subject has gone. . . . . .

Our eastern contemporary remarks that though the numbers of persons assessed to the Mayo-Temple levy of 1870-1 were nearly equal in the two cities, the number of complaints in Calcutta against assessments largely exceeded what have been heard of during the same period in Bombay. It is not explained through what channel those complaints were made. They appear to have been not only numerous and loud, but so far formal as to have attracted the attention of the Supreme Government—even the deaf Finance Department itself. The way in which the higher powers appear to have commented on these articulate growls is characteristic enough. Sir Richard detests popular odium, though, when backed by the half-

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(2.) The total (which includes the above in both cases) for 1888-9 is £5,470,600. There is also a charge now levied for British Navy vessels at an average of about £80,000, which was not exacted in 1868. Besides what is paid in England (as in previous foot-note) for British troops serving in India, every shilling of the pay, both of officers and men, while in India is paid from the Indian Treasury, and on a higher scale than anywhere else that British troops are stationed. It may be well here to note that in 1870 India's total military charges were £15,000,000; for 1888-9 they stand at over £19,000,000—an increase of more than 26 per cent. in less than 20 years.

informed Secretary of State, he can affect to despise "the clamour." Stronger than his dislike to intelligent impatience of unnecessary taxation is his desire for large returns; and we gather that he noticed, while fewer complaints of squeezed Income-tax payers reached him from Bombay, the yield of the levy in this city was much larger in proportion than in the capital of Bengal. The text of the admonition received by the Calcutta assessor in reference to this contrast is, of course, not available; but, as rendered by our contemporary, the Viceroy, or Mr. R. B. Chapman on his behalf, pointed out that if "greater leniency" in Bombay had produced the eminently satisfactory result of a bigger haul of rupees, why should not "an imitation of Bombay leniency result in larger returns in Calcutta?" Our contemporary does not share in this hopeful view of the matter. He asserts that the complaints in Calcutta were of "pure and simple over-assessments," rather than of severity in levying and collecting the sums alleged to be due; and he failed to see how "leniency" would be likely to bring about larger collections. . . . . .

It is in reference to the supposition that the eastern capital yields so much more in direct taxation than the western one, that comparisons arise which have more than temporary interest, and excuse our thus reverting to the subject. Undoubtedly Calcutta ought to yield considerably more than Bombay, if the Income-tax were as effectively levied there as here. It is true, the Bombay population of 1864, reckoned at 816,562, contrasts remarkably with the 377,924 counted in Calcutta "proper" in 1866. But it is tolerably certain that Howrah and other villages west of the Hooghly are not included in the census under the term "Calcutta proper;" and we presume there are on the north, and perhaps east of the city, suburban residences of zemindars and others within the sweep of the Income-tax assessor's arm, though they would not be counted in the city census. In Bombay the reverse of this relation between suburbs and city obtains. The villages of Mahim, Worlee, Sion, Matoonga, &c., contribute a considerable aggregate to the population of Bombay island and harbour; but they ought not to attract much, if any, attention from the Income-tax assessor. We have not here so many as half-a-dozen of the class which, in Calcutta, must reckon so largely in the Income-tax assessments—the zemindars, mortgagees, and other absentees, the unproductive consumers of the chief portion of the rental of Bengal, "the *cater*pillars of the State."

Another source of easily assessable income specially centred in Calcutta is that of Anglo-Indian banks and Insurance offices. The home Boards of these institutions have, we believe, very generally elected that the tax payable on account of their Indian branches shall be levied and paid in Calcutta. The P. & O. Company have done the same. In this way a special contribution, presumably of considerable amount, has been secured in the eastern capital, though a large portion of the revenue which it represents must have been produced in Bombay. To set against the many special taxable incomes centred in Calcutta, there is the circumstance, or rather the popular belief, that Bombay is a "city of merchant princes." It is not needful to remind any one how very much of our glory departed five years ago; but when comparison has to be made between Calcutta and Bombay profits in 1870, it is needful to remind observers at a distance that our mercantile gains of last year must have been outweighed by the losses, and that for the last two years the commercial balance made in this port must be considerably less than that in Calcutta, poor as that may have been. Though the total foreign trade of Bombay is considerably larger, that of the eastern port is often alleged to be steadier and more profitable, and we believe it is. Thus, very little consideration of the large aggregate of capitalists' interests centred in Calcutta will show that there are heavier sheaves for the tax gatherer's sickle in the eastern than in the western capital of India. In 1869-70, the persons assessed at an income of "one lakh and upwards" in Bombay were only 68. Was not the number of that class in Calcutta very much larger? We have as yet no means of obtaining the statistics under this head, but we have a very strong conviction that the figure ought to have been equal to three or four times 68. In that year the total number of persons assessed to Income-tax in Bombay was 18,546—public companies and employés thereof excepted. The aggregate number of assessees have generally been about the same in this as in the eastern capital, though we think the heavier incomes should figure there in much larger proportion than here. It would be very instructive if the Finance Department would publish in one set the returns of numbers and classes, with the sums realised from direct taxation in the cities and large towns of India since the levy was re-imposed by Mr. Massey in 1867. At present we have only these general statements wherewith to support our comparison between the two cities. Under the 1867 Certificate-tax, which was a rough Income-tax of 1 per cent.,

the yield in Bombay was larger than that in Calcutta; of the License-tax of the following year we have no report, but presume the same ratio was maintained; our one and a-half Income-tax for 1868-9 fell a little below the yield in Calcutta; the severe levy of last year produced, we understand, about 18 lakhs in Bombay, and a little under 20 in Calcutta. . . . . .

It is not mere weak "leniency" which has made the collector of Income-tax in Bombay proportionately more successful than his *confrère* in Calcutta, if this is really the case. It is discrimination—discrimination based on long experience and on intimate knowledge of all the trading and moneyed classes in this city, and that knowledge utilised with much tact and steady control of temper—which has not only made the odious impost endurable to the lieges in Bombay, but rendered it more productive than might have been expected. We are not here drawing any comparisons to the disadvantage of the Calcutta collector. We have no materials before us for doing so, even if we had any desire at this late date to fight the battles of the Calcutta assessees; but we can dispose of one significant query put by our contemporary in that city. It was asked whether—following a vicious principle adopted at the instance of the higher financial authorities in some other parts of India—the Income-tax collector here was "instructed" to raise his assessments to a certain prescribed minimum, and that an increased stipend should be his reward for so doing? We have never heard of such "instructions," and feel quite certain that no such artificial stimulus has been applied in Bombay; but the statement that some such spur was applied in Calcutta has not been denied so far as we have seen; and we know that in the N.W. Provinces some standard sum was specified, up to which the collectors and their irresponsible assistants were expected to tax. It is needless to denounce the impropriety, not to say the iniquity, of devising such decrees, however secretly and circumspectly they may have been promulgated.—*June* 16, 1871.

DECENTRALISATION IN BENGAL.

THE people of Bengal certainly cannot complain of being taxed without full discussion and ample time for inquiry. It was in May 1870 that the Duke of Argyll sent the despatch which ruled that the Permanent Settlement does not debar Government from raising taxes for local purposes from the landholders of Bengal—a question that had already been discussed for years; though it is difficult for any one not identified in interests with the zemindars to understand how there could ever have been any doubt on the matter at all. . . . . .

The great principles of the Duke of Argyll's despatch were, that though landholders under the Permanent Settlement are not in future to be exempt from local taxation, yet that such cesses should be laid on them only in common with other owners of property, and that such cesses should be in their assessment, application, and management—that is to say, in their advantages as well as disadvantages—essentially local. The Committee, therefore, which consisted both of official and unofficial members, recommended a cess on land to be paid by superior proprietors, inferior proprietors, and ryots, and a house-tax,—this last to be paid only by those who are not assessed on land; the house-rates varying from one to five rupees a year. Houses estimated to have cost less than Rs.100 are to be exempt, though a minority of the Committee wished to include every hut. . . . . .

The first reading of the Bill was moved by Mr. Schalch, who probably drew up the report; and then a gentleman named Babu Degumber Mitter, whose name also appears attached to the report recommending the Bill, rose and moved its rejection! Some of his arguments were so original that we must find space to state them. He did not think improvement in roads was a crying want—"in fact, roads in lower Bengal had been known to have caused more harm than good by impeding the surface drainage of the country, and thereby contributing to the generation of miasmatic fevers which had been epidemically raging in different parts of the Hooghly and Burdwan districts, ever since something like a *furore* had set in for roads, consequent upon the introduction of railways." This remarkable statement was naturally met by reference to the notorious fact that the Orissa famine was caused not by the absence of food within reach of Government, but by the absolute impossibility of conveying it to the starving population, and that the Babu must himself have seen the same thing in Midnapore and the 24-purgunnahs after the cyclone of 1864.

But Mr. Bernard—the vigorous young henchman whom Mr. Campbell recalled from the Central Provinces—in a much more practical manner attacked Babu Degumber and another native member who supported him, and used arguments which, however common they may be elsewhere, are certainly not often heard in Bengal official circles. He remarked: "If the Bengal provinces were governed by a representative body from all India—that is, from the nations whose soldiers and revenue protected the people of Bengal,—it would never tolerate that Bengal estates should be improved and opened out by expenditure from the surplus revenues of less favoured provinces." He then showed that the total expenditure on communications in Bengal, including the imperial contribution of 15 lakhs, will be 50 lakhs a year, or *one* lakh for every million of the population, whereas Bombay gets only 10 lakhs from imperial funds, raises 40 lakhs of local taxes for roads and other improvements, amounting altogether to from *two* to *three* lakhs for every million of our population. He mentioned that Madras and the North-west Provinces come between these two extremes; and then, to show the absolute necessity of funds being provided for communications, he reminded the Council that although 16,000 miles of road had been begun in Bengal, of these only 1,300 were completed; and he pointed out that if the road system now begun were to be completed within twenty years, 50 lakhs a year at least ought to be spent on them. Certainly the inference from all this is, that the rates proposed by this new Bill should be doubled. For as one part of the proposal is a preposterous undertaking that all assessments should stand good for five years, it does not seem likely that there will be any increase within that time. And we must say that if Mr. Bernard's facts and figures are convincing against Babu Degumber, they are not less so against those all-powerful Civilian rulers of the Supreme Executive who have had the allotment of imperial funds, and also against those who have had the spending of them in Bengal. . . . . .

But the proposed taxation is evidently so very light, compared with that of other parts of India and in relation to the wealth of Bengal, that we almost wish the opposition had been sufficient to swamp this very inadequate measure, so that, as Mr. Bernard suggested, a far stronger one might then have been forced on the Legislature. However, we must be content for the present with this small beginning—the forerunner, we hope, of much more considerable instalments of a debt to the miserable ryotry of Bengal too long deferred. We ought not wholly to omit reference to the skilful and comprehensive speech of the Lieutenant-Governor, in which he showed the impossibility of taxing personal property for local purposes, and the obligation, prior to and irrespective of the Permanent Settlement, that lay on the zemindars to keep the roads in their own neighbourhood in repair. We have said enough to indicate the importance and interest of the whole discussion, which is by no means exhausted yet.—*June* 28, 1871.

SILVER AND PRICES—AKBAR TO VICTORIA.

IF extension of the "Perpetual Settlement" had not been virtually forbidden under the Secretaryship of Earl de Grey (now Marquis of Ripon), and again, within the last two months or so, in some more peremptory missive, we might just now expect to see the Indian Government set about promulgating an edict to that effect. It appears there has recently been an awakening on the other side of India to the bearing (in a revenue point of view) of the well-established circumstance that the value or purchasing power of money is less than in former centuries—very much lower than in the time of Akbar, and less than in the time of Cornwallis. The *Englishman*, in a couple of articles a fortnight since, draws attention to this great fact of economic history, and in doing so dwells with much earnestness upon the practical inferences to be drawn from its effects. This is done almost with the air of announcing a discovery; and though the class of circumstances and calculations dealt with by our Calcutta contemporary have long been familiar on this side of India, there is no telling what may come upon us, because of this new revelation which has been granted to certain students of monetary and fiscal science in Bengal. The least that can be expected, if pure logic is to have sway, is that the zemindars under the Cornwallis settlement will shortly receive a notice to the effect that "whereas the value of their holdings as expressed in rupees in 1793 or 1802 has entirely changed, an adjustment will forthwith be made, to take effect from 1875, whereby their payments to the State will be enhanced in the currency of the present time, so as to bring the *jumma* up to the same proportionate value as that fixed upon when their sunnuds were first granted two or three generations back." Something of this kind has long been

demanded in justice to the rest of India; and if the facts marshalled, though somewhat irregularly, by the *Englishman* are to have their due weight, such an adjustment as we have indicated will be carried out as soon as we get a Viceroy strong enough and independent enough of Bengal Civilianism. Our Calcutta contemporary is, perhaps, scarcely yet prepared to act up to its new lights in that direction; but, if not, some of us must demur to accept its conclusions on the opposite wing of this question—to wit, that it behoves the British Government to "raise from seven to eight times" the revenue drawn from the country by the early Mogul emperors. British India is not exactly conterminous with that of the great Mogul; but as, according to Bernier, Aurungzebe's authority extended "from the 10th to the 15th degree of latitude, and nearly as much in longtitude," the territorial scope of the two empires is similar enough for the purpose of this, at best, rough comparison. As, according to the same authority, the Mogul's revenues were equal in that day to £32,000,000, English money, we have the pleasant prospect held out to us of a coming budget estimate of £220,000,000 sterling. . . . . .

It may be—and in general terms or with large qualifications we also would affirm it to be—quite true that the decline in the purchasing power of silver is the "great fundamental financial difficulty" in India; but it may be seriously erroneous to say, as our contemporary does in the same breath, that this decline in silver is a "constantly intensifying" cause of difficulty. This source of difficulty and confusion, as we have already intimated, has already been felt with far more severity on this side of India than it has ever been felt in Bengal. And in a fiscal or financial sense, this difficulty has been intensified here, because there, as is now confessed, the chief source of revenue has been fixed on a valuation made under Akbar 300 years ago. Writers in Bengal may make scientific conundrums of this question of decline in the purchasing power of silver, but it is one that has had a grim significance for recipients of fixed incomes in this Presidency. At the present period, it is of less personal importance with us, because everybody here has so much less of the purchasing "medium" itself. The whole subject, so far as its practical bearings extend, was most thoroughly gone into by the Prices Commission appointed by the Bombay Government in 1863, of which the Hon. Mr. B. H. Ellis was a member, Mr. R. H. Showell, the experienced Government servant now retiring, being Secretary. The conclusions of that Commission may be accepted implicitly in regard to the variation in prices and the relative value of silver in the periods of 1850, 1860, and 1863. In regard to the anticipations ventured by the reporters as to the future, they point to the probability of a continued rise of prices and decline in the value of silver; and these predictions were verified for a period of two to three years. Nothing within the Bengal writer's review approaches to the disturbance which Mr. Ellis and his colleagues had to report on in 1863; but about the close of 1867, the tide fairly turned, and this very important circumstance has been overlooked by the Calcutta writer as he is borne on the flood of his too wide historical deductions. The period covered by the investigations of the Commission was from 1829 to 1863; but it was the middle of 1864 before the Government of Bombay, through the letter of its Secretary, entered into its valiant but almost fruitless struggle with the Supreme Government. At the time, and on the facts proved, this Government had a case which, on the principles followed in the *Englishman's* articles, was perfectly irresistible. . . . . .

The Commissioners show from the Bombay Mint-master's returns that it was subsequent to 1861 that the immense influx of silver occurred; and this, as we know, synchronised with the excessive rise in prices. These are the statistics quoted in the report as showing the total silver bullion and coin passing into Bombay Presidency and remaining therein during the periods specified:—

From 1848-9 to 1854-5	Rx.5,554,809
„ 1855-6 to 1860-1	43,687,988
„ 1861-2 to 1862-3	66,054,335

Taking the returns for the whole of India, the influx kept on, as we have said, to 1867, when the total net import of treasure declined to less than Rx.11,000,000. Then the tide turned, and thus it is that our contemporary errs in pressing his conclusions so late as 1870. Taking, again, the whole of British India, the net import of treasure for the last three years has been as follows:—

1868-9.	1869-70.	1870-1.
Rx.13,760,374	Rx.12,911,44[illegible]	Rx.3,224,058

Since March last this decline has been going on, and must produce its effect in depressing the price of commodities or enhancing the purchasing power of silver. Thus, though it may be correct to affirm that a lakh of rupees in 1850 was worth more than the same amount in 1870, it cannot be said that a lakh of rupees in 1871 is worth less than the same amount in 1864. It may be true that the movement of Indian prices, silver down and commodities up, is, in the long run, a flowing tide; but there must be backward currents and long receding eddies, and it is in one of these that we are caught at present.—*Sept.* 9, 1871.

MANAGEMENT OF STATE LOANS:

Simplicity and Definiteness Required.

EVERY one now knows that the Government of India intends to discharge its great 5 per cent. loan of 1856-7 on the 16th January next. But it is to be discharged by transfer. The indebtedness of the State will remain the same, though the direct claims of the public on Government will be somewhat lessened. Of the £16,250,000 sterling of stock to be dealt with, about £2,750,000 is to be taken up by the Paper Currency department to increase its investments almost up to the full limit fixed by the amended Act of last year. Thus the present proceedings of the Finance department, so far as regards its immediate effect on the money market is considered, is much the same as if Government had extinguished one-sixth of the 5 per cent. stock by paying it off. The quantity of stock available for investors is lessened by more than £2,500,000; therefore the market value of Indian Government stock of all denominations, guaranteed railway shares, and debentures, will be enhanced by the same fraction that expresses the proportion which that amount bears to the whole of those State obligations. But, as many of these securities are in the English money market, it is impossible to assign any exact value to the enhancement that will be caused by the virtual withdrawal of £2,750,000 of stock. That circumstance will make Government paper "better"; but how much better, can only be defined by the "higgling of the market" between now and November 15, after which date no more applications for transfer will be received. . . . . .

It seems to us that, besides bringing stocks to one uniform rate, ordinary business policy should induce the Finance department to assign some definite periods for repayment or reconsideration. At present the option is nearly all on the side of the State. Is the arrangement under this new transfer intended to introduce or rather to establish the principle of giving the public creditor a more distinct option than he now possesses? This may be so intended, or, if not already intended, may be so planned; for we may point out that the next loan in order of amount after the 1865 one—which as to period of currency is in the optional group—is the Rs. 10,66,50,000 stock of 5½ per cent. loan of 1859-60, which has for its terminal date May 1st 1879, subject to a notice of three months in or after January of that year. This large transfer or repayment, which is certain to be made then, will thus fall in the same year that the "Transfer Loan of 1872" will lose its half per cent. of interest. Neither business men nor Finance Ministers care much about symmetry; but we think there might be practical advantage in bringing the due date of Government obligations into the last or first year of each decade—of course, dividing them into different groups of similar amount, so that the demand or pressure would be equalised. This plan would reduce to a minimum that disturbance in the supply of floating capital which is always a disadvantage to regular business and healthy commerce. . . . . .

Next, as to the rate of interest now offered, Sir Richard Temple may have had some sentimental tenderness for the public creditor, which he will seek to justify next budget day; but, for our part, we can see no justification whatever in the present state of the money market and commerce for offering 4½ per cent. We regard the offer of that rate as an improvident disposal of public resources, and as clearly such—though on a very much larger scale, than the renewal of the 26½ lakhs of debentures which fell due in July. Of course the public loss is not to the full extent of the seven times half per cent. thus needlessly given; for we presume the Finance Minister will take such advantage in premium as may arise from competition amongst the holders of the present five per cent. paper; but this is not likely to be nearly so much as the difference between the present price of 4½ Loan of 1870, which is 107, and the Fours, which are about 99. It is obvious that the concession of one-eighth more in interest will not nearly enhance the rate of capital subscribed to the same extent. The large increase in the investments of the Paper Currency reserve is in accordance with

the new regulations to that effect made last year; but information is much needed as to the results on the internal economy of the Paper Currency system of the ill-advised measure by which currency notes have been made subservient to banking purposes without any corresponding advantage to the State. But that is a separate question, as also *when* those five rupee notes are to be ready? What we have to consider is, that of £6,500,000 sterling of coin and bullion retained by the department nearly two-fifths will now be liberated for use in trade. . . .—*Sept.* 18, 1871.

OCTROI TAXES AND J. S. MILL'S OPINION THEREON.

FROM the Municipal Commissioner's report for 1870, we learn that the Town Duties or *octroi* of Bombay yielded in that year Rs. 5,94,988 of net revenue, the gross sum taken from the people under these levies being Rs. 6,31,928. Except Rs. 1,30,900 raised from Wines and Beer, the whole of this may be regarded as taxes on the necessaries of life; for not only do the items of "timber" and "metals" draw largely from firewood and materials for cooking utensils, but cheap timber for building, and metals for one of Bombay's chief manufactures are essentials in the comfort and well-being of a large proportion of the population. The Commissioner does not trouble himself to go into any argument as to the principle of these levies. No doubt he holds the doctrine, "all is fish that comes to the net"; but he expresses the opinion that this tax of the threshold has been largely and systematically evaded. . . . . .

We are not just now concerned to discuss the working of these duties; but it may be as well to revert to the question of fiscal principle that is involved in the maintenance of them, or, rather, in their re-introduction to Bombay after being abolished. We are not anxious to profess rigid and inexorable adherence in fiscal practice to abstract economic doctrine, and we fully coincide with a recent American writer on the science when he points out that each country has a political economy of its own, somewhat in the same sense that it has a physical geography special to itself. At the same time, there are certain principles inherent in economic science which, like the unvarying facts in physics and the broad principles of equity in moral philosophy, command assent and demand obedience under all circumstances, and in all conditions of human affairs. To take a short cut to the point in hand—one of those universally applicable principles is the first of Adam Smith's cardinal propositions of taxation, namely, "the subjects of every State [and members of every municipality] ought to contribute to the support of the Government, as nearly as possible in proportion to their respective abilities. . . ." It is noteworthy that while the other three cardinal fiscal principles, expounded by the modern father of the science, always commend themselves to the common sense of mankind, however often they are violated in practice, disputants and class interests ever strive in controversy respecting the working out of that first principle. This is because, as Mr. Mill points out, equality of taxation is "a thing often imperfectly understood, and on which many false notions have become to a certain degree accredited, through the absence of any definite principles of judgment in the popular mind." It must strike many of our readers that this general remark has recently received very apt illustration in Bombay, inasmuch as an occasional visitor to the Corporation meetings,—presuming on "the absence of any definite principles of judgment in the popular mind," in respect of equitable taxation,—has been, so to speak, moving heaven and earth on behalf of "false notions" as to these town duties and the tax on rentals to which it is sought to oppose them. None, whom we know, seek to rest, either our municipal or national fiscal system on one kind of taxation; though with the usual rashness of the writer just referred to, he has erroneously asserted that our present system of municipal taxation "is, in effect, that house property ought to sustain *all* the property of the place." No one has said this or desired it, though many do think that the tax of the threshold should be wholly expunged from the tariff of this city of trade. . . . . .

The simple reason that skilled writers on this topic do not trouble themslves to make statements formally condemning town duties as contrary to principle and objectionable *per se*, is that the proposition is too obvious. Whenever, we would ask, is Adam Smith's first principle to be applied at all, if not in reprobation of a fiscal scheme which taxes the income of a labourer or artisan fifty times higher in proportion than that of a wealthy fundholder or banker? Professors of natural philosophy do not consider it necessary to be constantly affirming the principles of gravitation and extension, though they may occasionally make

incidental reference to them; just as at the close of the chapter following the one from which the above quotation is torn, Mr. Mill thus incidentally cites the "universal principle" which condemns our present town duties: "As incomes below a certain amount ought to be exempt from Income-tax, so ought houses below a certain value from House-tax, on the universal principle of sparing from *all taxation the absolute necessaries of healthful existence.*" . . . There should be a limit to a game of this kind, and we are glad to find that a certain citizen of Bombay, a patient student in, and not a loud professor of economic science, recently took means to draw Mr. Mill's attention to the extraordinary liberty taken with his name and work in wresting from the latter inferences totally at variance with the general tenour of the great economist's teaching. This is the reply received from the philosopher in his remote retreat—

Dear Sir,—I have just received your letter of July 11. I cannot imagine how the passage quoted from my Principles of Political Economy can be supposed to give any support to the imposition of Town Duties. It is true I object to "calling upon one tax to defray the whole or the chief part of the public expenditure." But the local expenses of the town of Bombay are a very small part of the share of public expenditure falling upon its inhabitants. A house-tax appears to me one of the most equitable of all taxes, not only in so far as it falls on the occupier, but also (in a thriving town) as far as it falls on the ground landlord, from whom it merely intercepts part of the unearned increase of income which he derives from the general prosperity of the place. An octroi, on the contrary, to be productive, must be levied on the necessaries of life, or at least on articles generally used by the mass of the people, and is therefore one of the most unequal and most burthensome of all ways of raising a revenue. I do not say that in a country like India, where it is difficult to levy any tax to which the people are not used, financial necessity may not sometimes justify having recourse to such a tax; but I am sure it should only be adopted in extremity.—I am, &c.,

Avignon, *Aug.* 26, 1871. J. S. MILL.

We give this simple natural note just as it stands, and leave our readers to apply the emphasis for themselves. In our opening remarks we have admitted that deviations from the true principles and best methods of fiscal administration must be submitted to in practice; but as Mr. Mill remarks, an octroi "should only be adopted in extremity." Well; the extremity which permitted the adoption of taxes on the necessaries of life in Bombay was caused by—Municipal extravagance. That is our case.

Though we have raised afresh, we cannot here work out the question of how far the town duties of Bombay conflict or accord with the first cardinal principle of taxation. But the subject is dealt with in detail in an ably written memorandum which appears in another column. In commending that to the attention of thoughtful and far-seeing men, we may as well remark that the writer, tolerably well known as a public man, is not the same who has received the note from Mr. Mill.—*Sept.* 22, 1871.

II.—The following appeared in our daily contemporary's issue of Saturday: "The *Times of India* published yesterday the following letter from Mr. J. S. Mill, written in reply to a citizen of Bombay who 'recently took means to draw Mr. Mill's attention to the extraordinary liberty taken' by Mr. Knight 'with his name and work in wresting from the latter inferences' in favour of town duties and against the house-tax 'totally at variance with the general tenour of the great economist's teaching':—

[Here is quoted the letter given above.]

With reference to this letter Mr. Knight has now sent us the following communication:—

TO THE EDITOR OF THE "BOMBAY GAZETTE."

Sir,—Will you do me the favour to publish this letter in the *Bombay Gazette*, as it is very doubtful whether it will be allowed to appear in the journal to which it is addressed?—Yours faithfully,

Bombay, 22nd Sept. R. KNIGHT.

TO THE EDITOR OF THE "TIMES OF INDIA."

Sir,—The gentleman, whoever he is, who has opened a correspondence with Mr. Mill on the subject of the local taxation of this city, has done, I think, a public service; but as it is clear, from Mr. Mill's reply, that he has suppressed, unintentionally perhaps, those economic facts of our condition upon which the entire strength of my opposition to the system of direct rates depends, I now invite him to prepare jointly with me a statement of the case to be submitted separately to Mr. Mill, to Mr. Bagehot, of the *Economist*, and to Mr. Dudley Baxter, a statesman who has given great attention to this subject of "the incidence of taxation." If your correspondent refuses this challenge, which I can hardly think he will, I shall myself prepare such a case, and gives your readers an opportunity of judging for

themselves, before it is submitted, whether it is a fair statement of the controversy or not. Matters have arrived at that stage in this dispute, that I have long contemplated some such step for the settlement of the public mind, only we will have the case *fairly* stated,—stated "in the light"—if you please, now that we are going to appeal to authorities. I have fought this question single-handed so long against the prejudices that prevail here, that I am most glad at the prospect of its being referred to recognised authorities, who I venture to affirm will condemn, as absolutely as I have done, the present system of Municipal finance, when the facts are fairly before them. When Mr. Mill, for instance, understands what our so-called house-tax really is, and the economic condition of the people amongst whom it is levied, I am convinced that he will at once condemn it.

I shall not be expected to reply in your columns to the Memorandum on the Incidence of the Municipal Rates, published in your third page. The next issue of the *Economist* will show how erroneous it is, be its author whom he may.

You can send me your correspondent's name privately, if you like, but I must ask you to publish this letter.—Yours obediently,

Bombay, 22nd September 1871. R. KNIGHT, *Indian Economist.*"

This letter does not touch the point at issue. The charge against Mr. Knight is that he mis-quoted a passage of Mr. Mill's writings, attaching to it a meaning directly the reverse of that which the author intended to convey. This charge of deliberate misrepresentation cannot be refuted by general remarks on "the economic condition of the people of Bombay." What Mr. Knight hopes Mr. Mill may say, cannot alter what Mr. Mill has said. However, by all means let Mr. Knight prepare his "case," and get the opinion of economical experts upon it.

As to the subject-matter of the letter we need add little to the very apt remarks made by our contemporary on it. With persons who really understand the fundamental principles of political economy and fiscal science, the proposal "to state a case," embodying certain perverse propositions with which the writer has nauseated the public mind, must appear every whit as futile and absurd as the recent wager of the modern Hampden by which he defied the disciples of Newton to prove the rotundity of the earth. If the *Indian Economist's* case is "fairly stated" it will include not only the balderdash about confiscation, but the naked demand that real property (except under a small, nominal, prescriptive levy) shall be exempt from contribution to Municipal expenditure. But, as this "single-handed" champion of the most powerful local interests and influences in the island, kindly offers to "give our readers an opportunity of judging for themselves" as to the composition of the forthcoming case on behalf of his clients, we would advise the gentleman to wait who has already elicited Mr. Mill's opinion with sufficient fulness. Judging from the perversities which have already been inflicted on the city, in regard to "the economic condition of the people,"—*i.e.*, of the small class claiming immunity from their fair share of civic contribution—the correspondent of Mr. Mill, if his present avocations permit, will have quite enough to do in correcting and annotating the promised "case;" though the subject of it might be "fairly stated" within very brief compass indeed. Whether the recluse of Avignon will care to bestow half-an-hour of his precious time or well-earned leisure on a "case" prepared by one who has so audaciously tortured his text, remains to be seen. Meantime, our real Municipal deficit is staring the city in the face, and no appealing to authorities will avert the very disagreeable necessity of filling up the chasm with hard cash.—*Sept.* 25, 1871.

TRANSIT DUTIES AND TRADE TRAPS.

STERNE said, "when a man has a mind to preach, 'Pontus, Cappadocia, Phrygia, and Pamphilia,' will do as well as any other in the Bible." Acting on this principle, the honourable members for Madras and Bombay, especially the former, delivered a very good sermon in the Supreme Legislative Council the other day on the subject of general taxation, although the text provided for them was the meagre one of a Punjab Municipalities Bill. Mr. F. S. Chapman also made a very suitable demand on the Finance Minister, when he asked that the Council and the public shall be furnished with some tolerably full statement of the total amount of taxation "of every kind and description to which the people are subjected." This reasonable request derives some little additional significance from the coyness with which it was treated by Sir Richard Temple, the insinuating suggestion he made to His Excellency the President that the Executive should throw its shield over him, and the bland firmness with which Lord Napier of Merchistoun declined to see any objection to the Finance Minister complying with the Hon. Mr. Chapman's request. As to

Sir Richard's attempt to put off the member for Bombay by referring him to the last Financial statement, it was simply an instance of the evasion parliamentary. . . . .

The Hon. Mr. Robinson, in his "story out of school," and his skilfully selected extracts from the debate of 1867, has thrown a grim or humorous gloss over that specious phrase—"in so far as any fresh tax may be needed in any part of India, the disposition has been to rely on local rather than imperial arrangements." Even the Madrasees are fully to be relied on in responding to that "disposition." But Mr. Robinson is so faithful as an imperial legislator that he exposes his own provincials, several of whom, as he avers from personal knowledge, have "absolutely turned over the whole or nearly the whole of their local obligations to the trade of the country by means of a system of tolls." . . . Mr. Maine agreed to the measure rather in the light of an indemnity Bill, and admitted that its taxing powers were very large. No one can doubt that imposts on commerce, checks on production, and pressure on consumers, both in price and taxes, must have been largely enhanced under the shade of a law which, as Mr. Robinson affirms—"contains neither administrative nor popular provisions, and is absolutely devoid of everything that serves either as a safeguard to trade, to the public, or the ratepayers."

But it is not only the Punjab that must be thought of. All India is more or less covered with "these trade-trap municipalities throughout the country, each ready 'enough to shift their local obligations to the trade of the country;'" therefore the member for Madras deserves credit for throwing the whole subject so fully before the Legislature. In this debate the Finance Minister was apologetic and "sanguine" as usual. He was quite correct in referring to the resolution of 1868 as a very sound and discriminating manifesto regarding the whole subject of town duties; but the question is how have the injunctions contained therein been observed? Sir Richard Temple, it is probable, had a hand in the drawing of that resolution; but, only a year or two previously, when Commissioner of the Central Provinces he had been one of the chief sinners against its principles. . . . . .

Amongst the various lessons which it is supposed the British administrator has to teach the people of India, none is more needful for them to learn, or more difficult to teach than the first of all fiscal principles—namely, that enforced payments for public purposes, that is all taxation proper, can only be equitably levied in proportion to the ability of each person or class called upon to pay them. The financial policy adopted by a large number of municipalities consists in a perpetual struggle to evade this principle; and it is the imperative duty of the Supreme Legislature to see that it shall be evaded as little as possible. It will be a very serviceable aid towards this end if, as Lord Napier said, the Council and the country can have laid before it—"a picture of the extent of municipal and local taxation in as accurate a form as possible."—*March* 14, 1872.

INDIA'S COMMERCIAL DEFICIT.

THE "Trade and Navigation" returns for the first quarter of the financial year—that is from April to June inclusive—being now to hand, we propose to select and arrange the totals of the different values, so as to show the movements of India's foreign commerce during that period. For all the country the returns of this quarter may be taken to present a fair average of the whole year. In Bombay it comprises the nine weeks during which our export trade is most active, and also the four during which the burst of the monsoon checks export business altogether, and interferes with most of the import trade. In Bengal and Madras during the same period, trade continues active, so that, as we have said, the quarter before us presents a fair average fourth of the whole year's foreign trade. It is seen at a glance that our import deficit—or whatever we may term the excess in money value of India's outgoings over her incomings—has continued in even greater ratio than was shown in our notice of the totals for 1870-1. Merchants and bankers have been quite well aware of the anomalous position of Indian trade during the last quarter; and, being prepared for it by the experience of the opening months of the year, will have made their own defensive arrangements accordingly; but few of them can be aware how exceptionally large is the discrepancy, for the quarter ending June, between the two sides of our national trade account. The aggregate amount of the whole trade shews a diminution for the period of nearly £1,500,000 sterling. The total export value has decreased somewhat; but the great deficiency is in imports of treasure, and this circumstance has far more influence on

the financial interests and fiscal capabilities of the country than would be caused by a similar decrease in the imports of piece goods. However strange it would sound to the "Manchester man," we believe it could be demonstrated that silver is more of a necessary of life in India than "either long-cloths" or "madapollams." . . . . . .

It is, of course, too early in the twelve months to point to any definite conclusions respecting results that could be deduced from the consideration of this quarter; though we may remark that both the opium and cotton exports of the three months considerably exceed a fourth of the probable totals for the year. This circumstance, of course, accounts for a considerable portion (perhaps from one-fourth to one-third) of the large excess of exports in the quarter under notice. Remembering the heavy balance of India against other countries, which closed the commercial year 1870-71, the results shown above cannot be reviewed as satisfactory either in an economic or business sense. They also declare a continuation of that impoverishing movement affecting our monetary resources which, to a comparatively young commercial organisation in a country entirely dependent on other nations for all augmentations in the supply of its metallic currrency, is of vital consequence to the progress of commerce itself. Were there nothing to be taken into account but the ordinary relations and recognised laws of international exchanges which govern the movements of trade between independent countries, this abnormal condition would not appear. The disturbing cause lies on the surface in the augmented drawings of the Secretary of State on India. . . . . .

In case the question is raised as to the correctness of the official valuations for this quarter's figures, it may be as well to state that we have tested the two principal Bombay export items. Cotton and wool, taking the proper average in this market, are slightly overvalued. Cotton is entered at a fraction over 6d. per pound, the trade value during the period having been a fraction over 5½d. Wool entered at little under 7½d. has been reckoned in value at a small fraction less. The percentage of excess value is trifling; so the figures of the totals given above may be regarded as substantially correct. But we ought to deduct from the balance against us, the amount of "entaced paper" sent back to India. From what we can ascertain on this point it is not likely that the deduction would amount to the seventy-one lakhs of the balance—which leaves India worse, as reckoned in money, by £9,000,000 in one quarter's trade.—*Oct.* 5, 1871.

OUR ONE-SIDED COMMERCIAL BALANCE-SHEET.

THE current monthly returns of Trade and Navigation are out in good time. We have received the part for December, which, as it includes three-quarters of the year, will be very suitable for purposes of reference and comparison. With it is enclosed an additional leaf—purporting to show the "Comparison of 1871-2 (December and nine months), with 1869-70 and 1870-1,"—which, we fear, will prove for most readers merely the confusion of figures in the darkening of knowledge. With one glaring and fatal exception this fly leaf does really fulfil the promise of its title; but that might have been compassed with one-fourth the parade of figures and tabulated forms. . . . . .

We allude to the absence of the figures of Treasure; and now that this new form, No. 9,750, is presented in such fragmentary and useless fashion, we are constrained to conclude, what has often been surmised, that the Bengal men are really not acquainted with the first principles of international commerce. One cannot understand—except by making great allowance for the pressure of weighty affairs—how the talented men at the head of the department can allow the statistical branch to issue this table which, for want of the factor omitted, is utterly useless. One might as well attempt to understand the trade returns of Australia while omitting the exports of gold, as to make anything out of the Indian trade returns while excluding the table of silver imports. We have often aforetime tried to show the financial department how to arrange the totals of these returns so as to bring out the facts of our commercial position. Just now it is only necessary to ascertain what are the results of the nine later months of 1871 compared with the same period in the year before. . . . Thus it will be seen, whilst the value of the total foreign trade of India has been rather greater in 1871 than the previous year, the course of that trade has been less adverse: the balance against us being £6,000,000 sterling less than shown in the returns of the corresponding period of 1870—but what a discouraging national account it must be that shows more than

£10 going out for every £7 received! But for the present the question is how to make the results of these valuable returns intelligible: cannot the Financial Department, with all its resources, improve upon the little example we have again granted it?—*March* 12, 1872.

II.—The commercial account of India with the rest of the world for the ten months including January last was circulated a few days ago. Notwithstanding an increased influx towards the close of the year of the commodity called Treasure, the statement of international account continues to present that discouraging aspect to which we have often had to refer. . . . . .

Adding one-sixth for the two months short of a year, the total value of our foreign trade may thus be taken, in round numbers, either for the calendar year 1871 or for the financial year just closed, as £96,000,000 or £97,000,000 sterling. In 1865 and 1866, during the highest tide of Indian foreign trade, the amounts were £118,986,066 and £123,813,004 respectively. . . . We do not suppose the Finance Minister, who whilst we write is reading his annual statement, will trouble himself to go into a topic that he may regard as out of the ordinary beat; though most who ponder it will consider it relates to facts that are of paramount importance in the financial constitution of India. This will be clearly seen some day; and then the Finance Minister of the time will get great credit to himself for bringing to light one of the greatest anomalies in economic history, which he probably will do with such fulness of elucidation and nicety of adjustment as the resources of his office will enable him to apply to the demonstration. Meantime we should have thought that even a superficial optimist like Sir R. Temple would deem it worth while to bestow passing notice on the one baffling difficulty in India's financial condition. It may be thus stated—whereas the normal condition in the international trade of every country under heaven is to show a considerable excess in value of imports over exports, the contrary condition obtains with us in India, where the exports largely exceed the imports. The period now under notice wherein £17,250,000 worth of produce and bullion have been sent away without any return in kind, shows an exceptionably adverse result in degree; but this process is continually going on, though in some years it is partially disguised by loans taken up in England, or railway and other stores sent out.—*April* 9, 1872.

Scientific Economic Application of Above.

III.—As it seems difficult by direct statement to impress our administrators and financiers with any due perception of the dead weight they and the whole country are contending against, we will try the indirect method. And if a lady's help is at hand, why should we not avail ourselves of it, in order to put this old but little understood topic in its true light. In a recent number of *Macmillan*, Mrs. Fawcett has an article on "National Debts and National Prosperity," showing how and why the debt incurred for unproductive purposes poaches on the wages fund, and militates against national progress in a hundred ways. We do not intend to follow the main course of the talented and philosophical lady's argument, nor shall we consent to be beguiled into discussing the relationship between pauperism and the "present reckless increase of population," which forms the moral application of her statistical discourse. It is only an incidental analogy that we propose to draw from the material furnished us by the skilful writer. Mrs. Fawcett commences by considering the fiscal perplexities and financial discouragement under which France is vainly struggling, and she quotes from Mr. J. S. Mill to show "the exact danger in the present financial state of France." The passage is one that occurs in his chapter on "National Debts," where, after admitting that "there are circumstances when a loan is a convenient, and even a necessary expedient,"* he thus proceeds:—

> What we have to discuss is the propriety of contracting a national debt of a permanent character, defraying the expenses of a war, or of any season of difficulty, by loans, to be redeemed either very gradually and at a very distant period or not at all. The system of public loans in *such circumstances* may be pronounced the very worst which in the present state of civilisation is still included in the list of financial expedients.*

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* Although to students of national finance the mischief of taking up *in India* loans for unproductive purposes is made plain enough by the annotated passage from Mrs. Fawcett, it is desirable to obviate the chance of any misapplication to India of Mill's dictum on the general subject of public loans. Let us narrow

The point to be kept in view is the abstraction of funds from productive employment either in labour or trade. In Europe, as the economists show, this injurious result arises when national debts are increased to defray the cost of wars or for other unproductive purposes. In India we say a similar result is always to a certain extent inevitable, being the unavoidable consequence of alien rule, and the expenditure in a foreign country of a considerable fraction of our revenues. If we take a passage from Mrs. Fawcett's article —in which, following Mr. Mill, she explains how, because of the new war debt, funds are in France diverted from production—and blend with it the remarks needful to bring out the parallel results sustained by India through different causes, the combination may serve to open the eyes of many to the significance of the national commercial deficit displayed by the trade returns. Here is the passage from *Macmillan* fitted with the links we have supplied :—

"It must be remembered that only that part of the loan which was raised in France [or that part of the Indian revenue which is expended in England] is open to the objection that it will tend to perpetuate the stagnation of industry in that country [or in India] by absorbing the funds destined to be again productively employed. That part of the loan which was raised in London [or that part of the revenue laid out in India], for instance, will not have any depressing influence on the revival of French [or Indian] commerce; nor will it produce any ill effect on England's [or India's] prosperity unless it can be shown, which is highly improbable, that money was in this country (*i.e.*, in India) withdrawn from production in order to be invested in the loan [or spent on unproductive purposes]. But notwithstanding all the extenuating circumstances that may be urged in defence, the fact remains that in so far as the money raised in France [or revenues expended in England] decreased the sum destined to be engaged in production [in India], a corresponding influence is exerted to prevent the revival of industry in this country (*i.e.*, in India)."

We need not take the trouble to trace back to Mr. Mill's passage the bearing of the conclusions here indicated. The results of revenue being withdrawn can be traced by careful observers throughout all the commercial and monetary affairs of this country. We are not now about to discuss whether this abstraction of capital from India could be arrested, or how it should be compensated. The first step, as we have often said, is to get the fact recognised by our administrators here and at home. And just now, when the Budget is before us, showing a revenue charge of less than £50,000,000, it is desirable to point out that the revenue paid by India for its government is certainly £60,000,000, and perhaps nearer £70,000,000. This may be hard doctrine to our optimist official financiers, but let them ask Mr. Mill. If "a Government (in Europe) which borrows, does actually take the amount within the year, and that, too, by a tax exclusively on the labouring classes," it is tolerably clear that the funds drawn from this country by reason of being under a foreign Government must be added to the revenue charges which appear in the Finance Minister's statement.—*April* 10, 1872.

THE MONEY LENDER—TO BE USED NOT ABUSED.

THE best abused class in India, under whatever name it takes in different provinces—Bannia, Mahajan, Soukar, Marwaree—is that of the money-lenders. It would be needless our stopping to enquire how far this popular opprobrium is deserved; but we may remark the sentiment is not peculiar to this country. Something similar has been current enough in Europe; and Shakespeare only crystallised the popular antipathies of his time,

the question thus:' if, and when the Indian Government *must* raise loans, either by reason of reckless military expenditure, or even for the rapid promotion of irrigation and other productive works, it is always more "convenient and expedient" to raise such loans in Europe than in India. This is (*a*) because in Europe loanable capital is practically unlimited, whereas in India the limit of such spare funds is soon reached; (*b*) hence, while the advantage to the Indian Government of borrowing in the West rather than the East is represented by a large percentage, the spare funds thereby left (*c*) in India remain available for that "productive employment either in labour or trade" which, as Mill points out, is checked by the loans taken up in any country not overflowing with capital. It is true that remittance of interest from India on such loans involves a certain cost; but that is far outweighed by the capital of the loans taken up in England being applied to reduction of the Secretary of State's drafts on India, as was the case during the payment in of the large railway loans prior to 1873.—See Mr. Chisholm's "Silver Committee Report of 1876;" also *East India Association's Journal*, Vol. XV., Part I, 1881.

in dealing with his character of *Shylock*. Society hates the money-lenders just at that stage in the course of civilisation when his need is most felt, when his thrift and "abstinence" is of the greatest value to those who desire to utilise his hoards, and when, owing to the backward state of education, or the defective state of the law, the craft and precaution of the keen miser-capitalist frequently give him signal advantages over his suitors and debtors. The condition of Indian civilisation in the mofussil may be said to approxmate to that intermediate stage of advancement we have indicated—with one important exception. That is, no one can allege any defect in our laws so far as they are available for the collection of money due and debts admitted. In this respect we have put a power into the hands of the man of bonds and money bags, which gives him an enormous advantage over the unthrifty peasant, the illiterate cultivator, and the unfortunate of all classes.

We have been led to notice this rather trite subject by our attention having been drawn to the following passage in the "Hyderabad Administration Report," in which the able writer endeavours to show how far the agriculturists of the Berars are likely to sustain that recession in prices and scarcity of money in the Indian mofussil which thoughtful men have been watching during the last three years :—

> The thirty years' settlement is now in force throughout the greater part of the Province; and the moderation of its rates is being fairly and gradually tested, by the fall of cotton prices toward their natural level, by the rapid contraction of pasture lands, and by the reservation of forests. During the past year, the fall in the price of cotton, and indeed of all produce, has been very perceptible; yet the assessment has given no symptoms of a strain; though it must be remembered that the effect of an overweighted *raiatwaree* settlement has to be looked for mainly in the year succeeding a season of trial. For the *bania*, or money-lender, has taken deep root, it must be confessed, and spread far and wide over the villages of Berar—as, indeed, where in all India has he not—and in a bad year the people manage only too easily, with his assistance, to meet the revenue demand. But in the following season cultivation contracts, since the tenants' capital is gone. It is not anticipated, however, that the decline of prices will be followed by any alarming consequences for the Beraree; and those of the district officers who are most capable of judging have recorded their opinion that the people of these provinces are still better off than their neighbours. The fly in the pot of honey is, perhaps, the aforesaid money-lender and usurer. With courts of justice distributed so freely over the country as they now are, the facility with which this "fisher of men" can recover his dues is greater than it once was; and the sweep of his net cannot but have extended itself in like proportion. The question of how best to check this growing evil is equally difficult and important.

The discrimination shown in the former part of this passage is only such as we should expect from the skilled writer—whose individuality is almost identified by the ultra-scientific orthography of his Indian words; but is not that quality somewhat deficient when he proceeds to speak of the *bania* with the sentiment, though not, of course, in the language of the vulgar? Are not the metaphors—"fly in the honey pot," "fishers of men," —more suitable to the ears of the groundlings, than to the pen of an administrator who desires to keep the ultimate good of the whole social fabric within his impartial ken? Is it not a public advantage rather than "a growing evil" that the money-lender *has* been able to "take deep root" in the Berars? . . . . . .

It appears to us that this "growing evil" of the prevalence of the money-lender, is only to be met by treatment founded on the homœpathic principle of "like cures like," but applied in allopathic doses. The country wants *more* money-lenders and plenty of them. But the "growing evil" which the Resident of Hyderabad has misnamed, is a very real one, that of impecuniosity—the scarcity of small savings, and the difficulty which the cultivator and the artisan finds in keeping up his small store, either of stock or money, when he seems to have got ahead by a single season. India is vastly richer in the proper sense of that term, as a whole, than she was in 1855. It is open to doubt whether she is so wealthy as in 1865; but quite certain that during the last three years the masses of society have not been so "well off" as they were eight or ten years ago. We are not going to dive into the causes of this slight, perhaps, temporary, but certain and distinct retrogression in the pecuniary condition of the people. Our text just now is the money-lender; and instead of trying to check him as a "growing evil," we should give a willing ear to any one who can show how he may most speedily be increased and multiplied, not only in the Berars but all over India. . . . . .

There is a noble money-lending institution called the "Land Mortgage Bank of India," which has made no impression on landholders in India (except the tea companies); though we believe its earlier managers missed their way very much by advancing its

funds on building property, and in big lots, both on this side of India and the other. Would it not be possible for a picked committee—consisting of, say, an experienced revenue officer, a subordinate judge, and, perhaps, one of the much abused *bania* class—to put this institution into some way of making small advances at the moderate mofussil rate of ten to fifteen per cent., and on the security of the survey holdings in this presidency? It strikes us this would be fishing after men to some purpose: and the sweep of such a net would leave behind it valuable fructifying seed.—*March* 7, 1872.

THE ADMIRALTY AND NAVAL CHARGES ON INDIA.*

AS it is quite settled that the Select Committee of the House of Commons on Indian Finance—full reports of which we commenced last week—will not be supplemented by the sending out of a Royal Commission, it is well for those in this country who are fully acquainted with topics coming before the Committee, to take note where the witnesses trip or display their shortcomings. For instance, it may be doubted whether General Pears or Mr. Seccombe themselves throughly understand the terms on which the half dozen Royal Navy ships are lent to the Government of India at the "moderate" charge of £70,000 per annum. . . . . .

Here it must be observed that the little discussion just quoted refers only to three vessels, which may or may not be employed in the Persian Gulf. In respect of these gunboats, General Pears seems to be quite convinced that the said Royal Navy Captains *are* under the orders of the Resident at Bushire; but, for all that, we incline to think that Sir Stafford Northcote had his reasons for putting the very precise interrogatories we have quoted, and also that the doubt raised by him is not cleared up. We may go further and say there is reason to think—first, that the Royal Navy vessels which happen to be stationed in the Gulf are *not* "distinctly placed under the orders of the Resident;" and, second, with regard to the other two, three, or four Navy ships, as the case may be, there is still more reason to believe that these ships, their captains, and armaments are not "subject" either to the Governor of Bombay or the Governor-General himself. . . . It might, therefore, turn out on due enquiry that any power Col. Pelly exercises over these three ships in the Gulf is in virtue of his position as British Consul, and not as a political representative of the Indian Government—although, as stated in the reply to Mr. Dickinson, the purpose of these vessels is "to keep the peace in the Persian Gulf, to support the authority of the [British Indian] Government, and to suppress piracy."

But if similar enquiry were made respecting the ships not in the Gulf, we venture to say it will be found they are distinctly *not* under "the orders" of either Sir Seymour Fitzgerald or the Viceroy. So tenacious of power is the Admiralty or the British Government, that a Royal Naval Captain or a Lieutenant, if in command, is left to exercise his own judgment before complying with any requisitions that may be made by those high political functionaries for aid "in keeping the peace, or in supporting the authority of Government." . . . But we believe it will be found that in case of the Navy vessels serving in the Persian Gulf, all their stores, coal, and repairs are supplied by the Indian Government—in addition to the £70,000 paid to the Admiralty for the use of the six and their crews.

This annual charge of seven lakhs for six vessels, and what India gets for it—the cost and real value of the Monitors forming part of our harbour defences—the heavy charges connected with H.M.'s Indian troopships, and the very small fractional share borne by the home Government—form a group of questions that will demand the very closest consideration when the Committee comes to draw up its report. In connection with the last, there is a big item which has entirely escaped the Committee's notice. We refer to the Hydraulic Lift Dock, and the question who authorised that ill-advised expenditure of £500,000 of India's money. There is a fine haul for Mr. Fawcett in that direction. Admiral Mends, and everybody connected with the organisation of the troopship service, may repudiate all

* This system of making India pay a large proportion of the cost of H.M.'s naval armament in the Eastern Seas is still kept up—charges which are not levied on the Colonies. Since the period referred to above, the insidiousness of that system has been accentuated by quartering on the Indian revenues an Admiral or other superfluous naval officer, most of whose time being spent with the Supreme Government in its inland migrations, led to one of the local satirists speaking of Admiral Bythesea as "the whole seafaring population of Simla." (See also pp. 173-4.)

responsibility for this splendid and costly toy at Hog Island; but there it stands to the debit of that service, and those concerned must get out of the reproach as they can. Now that the troopships have turned their back on the Lift by being taken through the Canal to Portsmouth for repair, perhaps the cost of that contrivance can be foisted on the Port Trust! . . . There are no complete accounts of these troopships since 1869; the Admiralty complains of this to the Secretary of State, and His Grace complains to the Government of Bombay because of imperfections in the statement of account. . . . This, it seems to us, is a matter of pressing practical importance to our finances; for, as Sir James Elphinstone says: "It appears to me that England is handing over ships which are of a very much more expensive character than the ships would be which the Indian Government would provide for themselves, and which could be moved at half the cost by the recent improvements in the form of steam engines."—*April* 3, 1872.

VICARIOUS GRATITUDE: POLITICAL MEANNESS.

HAVING already (on the 12th) expressed our views in reference to the proposed grants to Lady Mayo and family, we should not care to recur to the subject but for the sake of noting that since we last wrote on it there has been amongst home politicians an increase of enlightenment and liberality regarding England's obligations in this affair of imperial moment. . . . Having only the "spirit of the Press" to guide us, we have a right to assume that the daily papers represented public opinion in thinking—either that the grants of £1,000 pension and £20,000 endowment were being paid out of the British exchequer, or that it was India that should be looked to for doubling both the grants. The remarks of five dailies on this subject are before us; and from the *Times* down to the *Globe* only one writer allows it to be seen that he knows from *what* revenues it is that he would provide the royal largess he exhorts the nation to bestow. The exception is the *Daily News*. The writer in that paper avowedly appeals to the "Anglo-India community" and "the intelligent native" as if to save their "British fellow subjects at home" from the disgrace of a "parochial liberality" and a "sense of humiliation" which the said "British fellow subjects," so far as the *Daily News* is concerned, shall not give a shilling to avert. We have heard a good deal about "parsimonious gratitude;" but this vicarious gratitude recommended by the *Daily News* strikes us, to use its own words, as "something inexpressibly paltry"—and politically mean. Now that a better note has been struck, it would not be worth while to refer to this false and sordid strain; but we fear that this able and influential journal reflects only too accurately the narrow and selfish views which obtain amongst many "Liberal" and not a few Radical politicians concerning the value of India to England, and the claims that this country has on the empire to the greatness and wealth of which it has contributed so enormously.

The improved tone on this topic, which we have so much pleasure in acknowledging, is observable both in the question of Lord Ronald Gower and the motion of Mr. Bernal Osborne. . . . The telegram we printed on Saturday tells us, Mr. Gladstone announces, that—"in deference to the general feeling of the nation an additional grant will be made to Lady Mayo." It was not needful to explain in the telegram what revenues the new grant would be taken from; but, having regard to the terms of Mr. Bernal Osborne's motion, there can be no room for doubt that the nation which has expressed a "general feeling," so honourable to itself and creditable to its imperial instincts, will rejoice in the privilege of paying for such an unwonted luxury. We hail this incident as the turning point after a steadily unbroken course of selfish financial policy; and as an earnest that, ere long, England and the British tax-payer will honestly share some of the cost of sustaining the connection between this country and that Empire of which India forms such a large and essential portion.

FISCAL TINKERING AND LAVISH FINANCE.

IN one respect our Supreme Legislative Council affords a striking example to the British House of Commons. Our Indian legislators when they are in Session work "like Trojans." After their great field day of last Tuesday, when they passed the Criminal

Procedure Code, they had another seven hours sitting on Wednesday, a succinct but suggestive report of which is presented to our readers this morning. On the latter occasion, instead of grappling with abstruse legal questions and the most comprehensive problems of jurisprudence, a pursuit in which few of our readers would care to follow them, they dealt with topics of every-day emergency which concern the whole people—tax-payers, merchants, or peasants. . . . . .

In this debate the sham character of our quasi-parliamentary system was made painfully manifest. Mr. Bullen Smith, though as strongly as ever opposed to the tax, would not divide against it; and that "stanch supporter," though frequent critic of the Finance Minister, Mr. Chapman, voted for the renewed levy on the weak excuse of the transitional position in which the Supreme Executive stands. Some such feeling seems to have induced the acting Viceroy to accord his support to the Bill; though we regret to observe that both he and General Norman repeated the utter fudge about that particular tax being needful to secure the small surplus which figures in Sir Richard Temple's farcical estimates. We do not quite subscribe to Mr. Bullen Smith's remark that the tax he was about to vote for is "an unmitigated evil." That characterisation is perfectly true so far as the levy is pressed down to and below incomes of Rs. 1,200 per annum; but the strong practical argument against the reimposition of the tax is that afterward mentioned by Mr. Smith, and more fully dwelt upon by Mr. Chapman —namely, that its retention is not made the means of reducing or abolishing other imposts which cramp the operations of commerce. It was in this way that an income-tax in England—where it must be remembered every facility exists for its collection—became, in the hands of Sir Robert Peel, and Mr. Gladstone after him, a lever for effecting enormous fiscal reforms in other branches of revenues. We are glad to see that "Bombay Chapman" pointed out some directions in which, seeing the tax is to be retained, other imposts should have been remitted. He condemned the export duties on grain which, as he justly remarked, are indefensible; and we cannot but think that had the Calcutta and Rangoon merchants exerted themselves a little more, this injurious impost might have been abolished. Similar remarks apply to the transit duties or land customs line. We are glad to see that our representative pressed also for equalisation of the salt duty in the sense of reduction; but regret to notice that he forgot the stamp duties, which are open to still stronger objections in principle. . . . . .

Merchants and bankers will be curious to see the text of Sir Richard Temple's speeches, for our correspondent says he "very fully described the extent, nature, and liabilities of the cash balances." We wish we could accept the retiring Viceroy's bland assurance that the Finance Minister has "satisfactorily explained" the necessity for, or advantage of keeping more than £20,000,000 sterling in the till of the State. . . . There is, indeed, one supposition not yet hazarded—perhaps Sir Richard Temple is "saving up" so as to be prepared to pay off the Nawab Nazim when his claim for £12,000,000 of arrears shall be endorsed by the Secretary of State. If this be considered a wild notion, it is not more extravagant than the wasteful practice of borrowing money for public works which the department is unable to carry out, or dragging funds from the masses of the people to leave the money lying idle in the banks.

It is an unanswerable proof of the ineptitude of our official financiers that now, whilst this huge sequestration is maintained, the direct transfer of revenue from India to England is greater than ever before. The Hon. Mr. Campbell, following up the conclusions expressed many years since in his "Modern India," points out that "so enormous a tribute is politically dangerous." We have been reproached for making use of that term, and for uttering warnings similar to those now expressed by the Lieutenant-Governor of Bengal; but the time is fast coming for the question to be asked whether it is decent—to say nothing of political justice—for England to retain all the advantage of Indian empire without contributing a single pound to the maintenance of the connection. Sir Richard Temple, in replying to Mr. Campbell on this point, appears to have been characteristically superficial.*—*April* 22, 1872.

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* As to the Income-tax question, briefly referred to above, see also pp. 357—60; also pp. 374—6. The subject of unduly large cash balances and the proper custody thereof, was concisely treated in a despatch from the Secretary of State (No. 256), dated June 30, 1874, which dealt with the question of how far those

INDIA'S ONE-SIDED FOREIGN TRADE:

Adjustments Required.

"No. 12 of the Trade and Navigation Returns for 1871-72." This document brings the statement to the end of March, and presents the balance sheet between British India and the rest of the world for the twelve months then completed, bringing forward also the figures of the two previous years. Once more we hope that the grim significance of these figures will challenge the attention of some fresh students in the science of national wealth and poverty, who may not previously have been aware of the anomalous position in which India stands after its transactions with foreign countries are completed. Here we present the total figures for the three years:—

FOREIGN TRADE OF BRITISH INDIA.

	Twelve months ending 31st March.		
	1869-70.	1870-71.	1871-2.
	Rs.	Rs.	Rs.
Total Imports of Merchandise	32,92,75,198	33,41,39,058	31,08,37,474
Do. do. Treasure	13,95,48,072	5,44,48,231	11,57,38,129
Total Imports	46,88,23,270	38,85,87,289	42,65,75,603
Total Exports of Indian Produce	50,67,95,443	53,55,16,812	61,69,72,252
Do. do. Indian Treasure	1,04,23,528	2,22,07,646	1,47,60,925
Total Exports	51,72,18,971	55,77,24,458	63,17,33,177
Excess exported by India [Rs. 10 = £1] ...	= £4,839,570	£16,913,716	£20,515,757

This means that after India has traded for a year, the country, as a whole, is £20,000,000 worse than when it began, that there is that amount of material wealth in the country less than in March 1871—that for each 31 rupees' worth sent away, India has only received 21 in return. Of course everybody is aware, as we were recently reminded in the most jaunty style by a Calcutta contemporary, that this represents the price which the weak and shiftless people of India pay for the priceless blessing of good Government, and for that peace at home in which alone there can be any chance for prosperity. Still it must be confessed the price is very high; and anyone who has the slightest care for the welfare of the country, even those who acknowledge the tie of self-interest alone, must desire to know whether there are any adjustments to be applied to that ruinous looking debit, and above all, if there are any means by which the course of our foreign trade can be rendered less adverse.

As to adjustments, there is, first, the obvious one of striking an average of the three years, which reduces the deficit to £14,090,000, a figure which is sufficiently formidable. Another adjustment, that at once suggests itself, adds to the deficit. We refer to the re-exports of foreign merchandise, which, not being consumed by India, are virtually lost to the nation. In 1871-72 these amounted to nearly one crore and a-half (£1,488,622). But the more important and essential adjustments are those which relate (1) to the transfer of Government paper backwards and forwards between India

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balances should be held by the Presidency banks. The system then obtaining was subsequently modified by withdrawing a considerable portion of the balances from those banks and replacing it in the Government of India's treasuries. This course having recently been complained of by the mercantile public in India, the whole subject—somewhat complicated, as it now is, by the decline in the exchange value of the rupee—is fully dealt with in the current Financial Statement by Sir David Barbour, paras. 105—11. See also an interesting practical illustration of the effects of unduly large cash balances as given in our subsequent extract on pp. 401-2.

and England; (2) the taking up of railway and other loans in England; or (3) discharging any such capital obligations. As to the first of these factors: we know that in December 1871 the amount of "enfaced paper" held in London was nearly four crores less than in December 1870, that may be considered to reduce the excessive debit of last year (after the addition for re-exports) to £16,250,000. As to the taking up or payment of loans, it is exceedingly difficult to get the figures accurately on both sides. We know in a general way that no loans were taken up last year; and also that a very considerable amount of debt was incurred in 1869-70, a circumstance which may go a long way towards accounting for the unusually small balance against Indian trade that year. In the same year there was a repayment of nearly £1,500,000 from the British treasury for the Abyssinian war expenses. This also would be equivalent to an addition to the imports, and helps to account for the small debit shewn in the trade returns of 1869-70.

But, as we have shown on many former occasions, the more these financial adjustments are looked into, the more striking is the discrepancy revealed between India's total outgoings and incomings. . . . . .

Thus a general test of the official valuations in 1871-72 brings out nothing to modify the uncomfortable statement that, so far as material wealth is considered, India was £20,000,000 worse for its last year's foreign trade. It may be asked—how, then, are persons found to engage in commerce when the aggregate result is a dead loss? We suppose it is quite possible for each individual engaged in conducting that trade to strive for and generally secure his own remuneration. To the merchant shipping cotton, and the ship-owner charging freight, it does not matter whether they import piece goods in return or receive a bill which gives their agent a demand on the Accountant General, and through him on the Collector and ryot. There is the fact of the deficiency; and it must be borne by the producer in the long run. It would afford a curious, but a very useful practical lesson, for some professor of political economy to trace out this chain of causation.* As to how to redress the balance, that is too large a question to enter on here; and as we have often discussed it, there is no special need to do so now.—*June* 4, 1872.

THE SELECT COMMITTEE OF 1872-3:

Struggles with the Experts.

THE examination before the Select Committee of Messrs. Harrison and Gay, and their vain attempts to "insense" Messrs. Fawcett and Ayrton into the mystery of provincial taxation, when compared with the clear straightforward evidence of General Strachey in unveiling the organisation of the Supreme Executive, and explaining that of the great P. W. D.; affords a contrast at once amusing and instructive. . . . Mr. Fawcett thought he had come upon an amazing and ominous disclosure, namely, that the Government of India, by this device of "provincial" (miscalled "local") taxation, had sought to shunt away a large amount both of taxation and expenditure from all chance of future observation either by Parliament or the Secretary of State. It was in vain Mr. Harrison pleaded that the "provincial" accounts would be presented along with the usual financial statement, expounded in the House of Commons by the Secretary or Under Secretary on some sweltering evening of July. Mr. Fawcett's "point" was, that under the new system, Parliament will not "have the slightest guarantee that it will be informed of the amount or character of the taxation imposed." After a further unavailing remark by Mr. Harrison as to the "intentions" of the Government of India, the Chairman, Mr. Ayrton, proceeded to snub the member for Brighton by telling him he was "embarrassing the witness by asking questions which are based on an error," and then proceeded himself to make the blundering statement—an astounding mistake for a quondam Bombay solicitor—that "there is no distinction between the Government of India and the local Government." After this slight tiff was over, Mr. Fawcett turned again to worrying poor Mr. Harrison about the change, "the exact nature of which," the acute Professor himself was "utterly unable to understand." After this had gone on a few minutes, the "member for Oude"—who appears to have been

* This is done in abstract form and general terms in Mill's "Principles of Political Economy," Book III., Chapter xxi., Section 4.

either dozing, or indulging in prolonged ventrical laughter—broke in with the pertinent leading question, "are the roads shown in the imperial accounts?" But this availed not to deliver the tortured Controller on when Mr. Fawcett was "down again," causing him to take refuge in the device of reading some generalising passage from a despatch or Government of India resolution—an expedient which has become so common with Mr. Harrison, that if any members of the Select Committee have a sense of humour, they must thereby be reminded of Mr. Barlow's tedious young pupil in *Punch*, who was ever ready, at a moment's notice, to repeat to the Bow Street Magistrate or anyone else, such stories as that of "Arbaces and the Intelligent Porcupine." At this juncture, Sir C. Wingfield seems to have relapsed into a state of abstraction; but it is gratifying to observe that after a while, when the member for Brighton and Mr. Harrison were taking breath, Sir Charles interposed with two explanatory questions, which make clear the whole principle on which the "provincial" taxation and expenditure system is founded.

This was not before Mr. Fawcett had done his best to run to earth the authors of the income-tax in this presidency on poor wretches whose "profits" can be guessed at Rs.50 per annum; but his efforts were vain. He wanted to know if the proposition for this rural levy had been laid before the Secretary of State, so that Parliament might have the right to censure that functionary if it thought fit. But neither Mr. Harrison nor Mr. Gay could say whether the Indian Secretary knew anything about our provincial taxation; whereupon the desparing member for Brighton, addressing Mr. Harrison, exclaimed—"Who will give me any information? You are Controllers of Accounts for India." To this the Controller, who controls nothing, replied—"Yes, but that [knowing how far the power and interference of the Secretary of State extends in fiscal matters] is apart from my duties!" . . . . . .

On turning to the examination of General Strachey, one comes into a totally different atmosphere. The witness takes the lead and the Committee become learners, and with good reason in this case. General Strachey has only passed through a short and, on the whole, very smooth Indian career; but his experience is as old as the Public Works Department itself, and his relations therewith have been so intimate and central, that no one could be better qualified to explain its organisation and illustrate its connection with finance and expenditure. He is no partisan of the P. W. D., and is alive to its defects on the financial side. It is not always our fortune to coincide with the gallant General in his views on particular projects; but we have always acknowleged that there are few, if any, of our public men who have a clearer perception of the value of money for the Indian masses, the culpability of waste, and the necessity for securing remunerative returns on all public works that in any way came under the head of productive. He does, indeed, appear to depart from his own principle when—after giving the best exposition yet afforded of the difference between "ordinary" and "extraordinary" works—he reproaches the Finance department with having borrowed the funds for irrigation works instead of allowing P. W. D. to squeeze them out of the annual taxation. Here the Finance department is right and the General wrong. . . .

General Strachey loves to state a startling opinion as he does, when, at this time of day, he declares, "I think the making of the Indus Valley line a great mistake." Why did he not hint at his reason, which is, that he considers that more canals should first be made to create produce for the railway to carry? But this objection only fairly applies to the barren and abandoned project of the left bank line. We will tell the gallant General what he could himself, if he were minded, demonstrate to be the great mistake, namely, that there is no need for a metre gauge line from Kotree to Mooltan (he puts it "Mooltan to Kotree") to lose two or three lakhs a year. But, unfortunately, General Strachey, with all his skill, science, and financial talent, has one foible—he clings to the tradition that the Hooghly is the entrance gate of India, as in the days when the only route was round the Cape. We believe he is as much responsible as anyone for the absurd plan of beginning the Indus Valley line downwards from far inland Mooltan, instead of upwards from the sea and Kotree. . . . If, however, General Strachey will have the courage to point out a modern instance of "the worst cases of extravagant expenditure (which) have arisen from interference from England," we would suggest that he should relate to the Select Committee the yet secret story of our Hydraulic Lift, its rise and progress from Westminster to Hog Island.—*July* 1, 1872.

GENERAL STRACHEY AT FAULT—A HUGE OMISSION.

II.—The "pre-arranged" categorical evidence placed before the Select Committee by Mr. Grant Duff and General Strachey, which was detected by the lynx-eyed member for Brighton, has been read with much interest in India, but not without a little surprise. General Strachey, if not misreported, has seriously damaged his reputation as a politician and financier. If he desired to disabuse the Committee of the superficial English notion that the Budget of the Indian Finance Minister is comparable to that of the British Chancellor, it was all very proper to point out that the Indian balance-sheet contains £3,000,000 or £4,000,000 per annum for public works which do not come into the English one. But Mr. S. Laing has done this much more clearly in his evidence given a fortnight later. When an experienced administrator like General Strachey can deliberately contend that the Indian people are thriving, and that our revenue arrangements are not oppressive—*because* in less than one decade £19,000,000 of current revenues have been spent on permanent works, nearly half of it on unsuitable barracks, and *because* not only has this vast sum been withdrawn from the wages fund and floating capital of the country, but that £5,000,000 more have also been withdrawn, and now lie idle in the Treasuries, it is high time to ask where we are drifting? Lord Northbrook cannot intend that India is to be left to the tender mercies of a policy which thus squeezes from the people their savings and profits as soon as made. The financier who can stand up and attempt to justify the destruction of the scant profits of the Indian people in barracks and other unremunerative works—for this is what General Strachey does—is *ipso facto* disqualified from being accepted as a financial guide. When he says "*we* have virtually saved £18,000,000," the fact pointed to is that the State has *consumed* that sum, when three-fourths of it should have been left to fructify in the pockets of the people. The extensions of railways have in the period referred to by General Strachey—1861 to 1869—undoubtedly added largely to the material and mechanical forces of the country; but even this would not have availed to support the people under the enforced transfer of their savings to unremunerative public works and the vaults of the Presidency banks, had it not been for the substantial aid from without in the shape of £50,000,000 of English railway capital and other loans. This enormous factor in the financial history of that eight years, if not entirely ignored, is pushed out of sight by the gallant and skilful witness's way of putting the facts . . . . .

Let us here supply a few of General Strachey's more palpable oversights, and we trust the Committee will insist on having those blanks filled up which must be apparent to the eye of any proficient economist who scans the Royal Engineer's imposingly prepared statement. First, let Mr. Fawcett, Sir C. Wingfield, or any member who really perceives the economical significance of the weighty matters brought forward in General Strachey's statement, demand of him why he stopped short at the totals of 1868-69? When he was offering the figures of imports and exports as a "test" of the "condition of the country," it was a poor excuse to say that 1868-1869 was "the last year he had for reference." The Committee had a right to expect, from a presumably competent witness, that they should have the very latest and fullest statement of facts in regard to an all-comprehending and an all-including subject of this kind—one which, in fact, if fully stated in every respect, covers the whole field of their inquiry. The returns of the "Sea Borne Trade of British India" have been available in London to anyone since February last, and the totals of the returns for 1871-72 appear in our "Summary" of June 7. Of course, General Strachey would scorn to accept his facts from any editor, "able" or otherwise; but he knows the very shelf in the India Office where he could find the "Trade and Navigation" returns up to date. . . . As we happen to have the figures for those three years in a handy and compact form, we subjoin them for the benefit alike of General Strachey, Mr. Ayrton, and his colleagues. [See page 391.] It will be seen that our little table brings out one notable result to which the witness did not draw the Committee's attention. Probably General Strachey has never had his own attention sufficiently awakened to the significance of the fact, which cannot be too often repeated on suitable occasions, until the House of Commons "takes it in"—namely, that, contrary to the rule amongst all other commercial countries of the world, the value of India's export largely exceeds the figures of her imports. In the last three years, as exhibited above (page 391), the aggregate of that excess reaches the enormous figure of £42,000,000; showing, since the exceptional era dealt with by the Committee, an annual average of £14,000,000 sterling more of commodities and treasure sent away from this

country than is brought into it from abroad. . . . In the three years 1859-61, that is, just before the General's figures commence, India borrowed nearly £25,000,000 in England, which would form part of the £37,250,000 of imports in 1861-62. But let that pass, while we turn to ask Mr. Grant Duff's oracle—why he forgot the influx of railway capital, when pointing so triumphantly, as disproof of pressure on the people to the increased consumption of imported merchandise apparently shown by the trade returns of 1868-69? General Strachey, of all men, could not be unaware that in those nine years—1861-69—FIFTY MILLIONS of English capital had been expended on Indian railways (the exact amount was £50,037,878), and he should be one of the first to acknowledge that this very considerable addition to the pecuniary means and mechanical power of the country on one hand, and to its debt on the other, are factors of primary importance.

Yet not a word of this appears in connection with the carefully marshalled figures before the Committee; though we should have thought facts of this order had a very close bearing on the question how the condition of the country has been maintained, whether it is in a "deteriorating condition," and if there is anything to indicate the presence of pecuniary pressure or not. And when General Strachey claims that the 13½ millions of increased imports of merchandise in 1868-69 represent what "the people of India have been able to buy and pay for," he should be reminded that the £35,000,000 of imports of that year included nearly £2,000,000 worth of railway materials, military, and other Government stores. We are quite willing to accept the £13,500,000 increase of imports in those eight or nine years as a proof, so far as it goes, of the improved purchasing power of the people of India within that time; but most of that improvement can be accounted for very simply without satisfying one that any distinct step in the material condition of the masses had been gained. In 1861-62 the country had scarcely recovered from the unsettlement of 1857-59, and a heavy income-tax was being imposed; while in 1868-69, not only had all natural recuperative forces had time to operate, but the special stimulants of suspended home charges, loans, and lavish expenditure on railway extensions and other public works had been in full play.

To take one illustration at hand: we are not in a position to dispute, and are inclined to accept as a general proposition, General Strachey's opinion that the service done to the country by our present railways may be measured by twice the amount paid in traffic rates; but it does not follow that because cartage on a large scale can be *hired* at 3d. to 4d. per ton, that therefore the cultivators and small dealers can find *money* to pay at that rate or even half of it for the carriage of their commodities 50 or 100 miles. This uncertainty as regards the amount of money, the number of rupees actually within reach of the cultivators and their backers, the money lenders, must baffle many of the most plausible calculations of our irrigation engineers and revenue surveyors. There are in India certain obscure, but all pervading subjects for economic investigation, in the study of which General Strachey, like many more of us, has yet very much to learn.—*July* 25, 1872.

A RETIRED FINANCE MINISTER ON IMPERIAL OBLIGATIONS.

III.—It is impossible that we can advert to more than a tithe of the striking opinions and suggestive statements put before the Select Committee of the House of Commons; but we doubt not that our observant readers are taking note of what strikes them in the evidence as likely to prove of practical service in future discussions. The Committee have an enviable task before them, considered merely as a work of art. Having this mass of manufactured material to choose from—provided by witnesses who knew what they "were going to say," and many of them men of mark—the sixteen Committee men must be made of very commonplace clay, if, treating this work of many colours on eclectic principles, they cannot weave from it a brilliant web which shall display in artistic proportions the most perfect constitution, the most completely reformed and suitable fiscal and financial system that any subject dependency of a great Empire ever enjoyed or desired. . . . Take, for instance, Mr. Massey on the great subject of federal and local finance, his evidence on which broad subject appeared in our issues of last Saturday and Tuesday. As in 1866 we had the privilege of perusing—of course under strict injunctions against indulgence in quotation—the minutes on decentralisation drawn up by Mr. Massey and other members of Lord Lawrence's cabinet, it would be for ourselves a specially interesting task to compare

in detail the Finance Minister's somewhat constrained and irregular remarks of to-day, with that earlier and, perhaps, more equitable view of the whole subject as developed in his original treatise on the great project, and which might fairly be dignified with the name of a State paper.

One would have supposed that a retired Finance Minister would have cherished sufficient interest, if not in India, at least in the reorganisation project he had the honour to inaugurate in the bureau, so as to induce him to procure a copy of the document under direction of which that project became law and practice. But Mr. Massey confesses that he had never troubled himself to obtain Sir Richard Temple's memorandum of December 14th 1870—which, if our memory serves us, was the date when the formal decentralisation ukase was issued. . . . . .

At present we can only refer to one or two special points in it. But we must not omit to suggest that the secret conclave which at Poona is now forging fetters for the future commerce of Bombay should ponder Mr. Massey's discriminating remarks on the undeniable claims which the chief ports of India have on the revenues. He says, "they are partly commercial and partly military, and undoubtedly a matter of imperial concern." And again, in reply to Mr. Dickinson—"I should be exceedingly loath to impose on the local Government any charge with respect to works which originate with the Imperial Government. I can conceive that any charge in such matters, placed by the Imperial Government on the local Government, may derange the whole system of local finance. If a dock in so great a port as Bombay were to be constructed, it would be always a subject of consideration whether a contribution should not be made from the imperial funds for such a work, because the plan of local finance does not exclude occasional assistance from the Imperial Government to particular works and charges." Let these propositions be faithfully compared with the elements of which our grand Port Debt is composed, and then see what chance there ought to be for passing the Port Trust Bill, which is mainly a specious scheme for forcing on this port a huge encumbering mortgage, of which a very large proportion rightly belongs to imperial charges. These ought to be debited to the general customs revenues, as always had been the case until our Simla financiers, under the fanaticism of a one-sided decentralisation, set to work to thrust all possible charges on local revenues. What would Mr. Massey have said, and what can the Select Committee say, when they are told that over and above the ordinary customs and port dues, and beyond the just charges for wharfage accommodation, the commerce of Bombay is expected to pay—both interest and principal cost of the site for an imperial railway station—for a lot of ill-designed and half-useless wharves—and also for a landed estate which will require ten years to become productive? . . . . . .

Mr. Massey has expressed his conviction frankly and firmly, that "the protection of the shores of India forms part of the naval policy of England; and as the possession of India by a foreign power would give an enormous blow to the prestige of England and disturb the balance of power in Europe," therefore, says our former Finance Minister (in reply to Mr. Dickinson), "we might as well ask the Emperor of China to maintain our naval forces in the China Seas" as to expect the Indian taxpayer and ryot to contribute as they now do a considerable portion of the cost of the half dozen vessels that the Admiralty chooses to send to cruise off this coast of India and in the Gulf. The principle laid down in this matter by Mr. Massey is undoubtedly the only sound one, and he carefully pointed out in another part of his evidence the essential difference between the imperial objects of the British Naval forces and the special purposes of the Indian Military organisation. We trust that the position taken up in this matter by their former colleague will be maintained by the Government of India when next they can muster courage to protest against these steadily increasing naval charges which, by permission of the India Office, the Admiralty, in the persistent pushing of its patronage, has during the last few years contrived to foist upon the Indian revenues. Again and again have we called attention to this topic, and now that a professional politician has hit the blot, some check may be put upon the unceasing encroachment of their Lordships at Whitehall.*

The second imperial topic which we take note of as dwelt upon by Mr. Massey is the unqualified claim he puts forward on behalf of the central Indian authority to appropriate

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* On this topic see also page 388.

the whole land revenue of India to its sole use and control. This is essentially a question of decentralisation; and we have always felt that the battle of provincial finance must be fought out on this ground. Our proposition is, that the land revenue is pre-eminently *the local* resource, and that the provinces have the first claim to it. Mr. Massey sees into the matter so far as to observe that the land revenue could not be collected without the close co-operation of the local authorities; but he does not perceive that in the very nature of things the best results would be secured in the expenditure of that revenue, or of a very large portion of it being entrusted to the provincial authorities. His Bengal tuitions effectually prevent his taking this broad and statesmanlike view. . . . . *Aug.* 15, 1872.

LORD NORTHBROOK'S TASK AS A FINANCIER.

NOT a little uncertainty still exists with regard to the opinions that the new Viceroy entertains in regard to the chief practical subjects of Indian administration. Nothing can be more urgent, nor is there anything that more vitally affects our political relations with this country, than the condition of the masses of the people and the prospects of that condition being ameliorated. Not ten Grant Duffs would suffice to dissipate the anxiety that is felt on these subjects by men who know this country well, and who can trace the political results that arise from continuously working, all-pervading financial causes. Notwithstanding the "lavish kindness" with which in this tropical climate, under requisite conditions, the fruits of the earth are yielded in response to the comparatively slight labours of the husbandman, the fact remains, that the masses of our population are very poor in a pecuniary sense. In some provinces, cattle and household goods indicate that there is still a wide margin between the peasant and destitution; but in many others this margin dwindles to the very thinnest line. We had occasion to show this the other day with regard to our own district of Rutnagherry; and all the accounts of trustworthy observers in Bengal unite in describing its ryotry as in a condition of all but absolute impoverishment.

So much is admitted on all hands; and there is little more difference of opinion regarding the further evil wrought by increased pressure of taxation during the last few years. Of course, Sir Richard Temple does not know this. His organs of mental vision were not adapted to perceive these things. It is long since he knew aught of "the huts where poor men lie," nor is it his forte to analyse financial cause and effect, or to trace out the far-reaching influence of fiscal measures. Happily, the Finance Minister is only a departmental officer at best, and the fortunes of the people are not entirely left to his oversight. . . . . .

Further, we may venture to suggest that as soon as the report on the condition of the people in Western India is put into shape, that it should be placed on the editors' table or otherwise made available for public use. This would, we know, be breaking through the bonds of routine, to allow the public access to valuable information in the rough before it has been sat upon for months and finally resolved into an official version—but, as we have often said, it is high time that the systematic sequestration of public documents should cease. Nothing is more desirable than that we should have prompt and full information regarding the actual state of the people. Are they really impoverished; if so, is this condition temporary or chronic, due to exceptional circumstances or traceable to constant causes; are not the cultivators in a better position than the artisans, small traders, and landless labourers; what districts and what provinces enjoy exemption from the supposed dead level of poverty, how far do our boasted means of communication serve the rural populations; is the stratum of poverty still tending upwards, can its growth or recession be marked by certain well known extraneous causes, such as high cotton prices from 1863 to 1866, check in bullion imports since 1867 and falling prices, pressure of imperial taxation from October 1869 to the middle of 1871, and increasing "provincial," local, and municipal exactions since the beginning of 1870?

These are some of the questions that will be asked in pursuance of Lord Northbrook's instructions; and, on behalf of the public, we earnestly demand that the answers shall be made known as soon as the several statements can be drawn together in any one province. We have always held to the belief that, owing to our liberal land tenure, the cultivators and villagers generally of Western India, in comparison with similar classes

elsewhere, are less in debt and have a broader margin of stock, ornaments, and household chattels between them and destitution. This conviction we still hold, and trust that the general investigation now directed by Viceregal authority will confirm it; but we must confess that during the last year or two the indications from various parts of our mofussil of a steady decline in rustic comforts have been rather depressing. . . . . .

It is not enough to cease to vex the people with taxation. Lord Northbrook has a more difficult task set in the corresponding duty of reducing expenditure—and that not by lakhs, but by millions. Is he strong enough for this herculean labour? Will he undertake, during his tenure, to reduce our destructive military expenditure from £16,000,000 to £12,000,000, to arrest the ruinous cost of our present railway system, to reduce the cost of civil administration in its higher branches, to check expenditure on barracks, forts, and other unproductive works in order to extend irrigation, cheap railways, and other reproductive appliances? No doubt His Excellency will strive to do all these as occasion arises and his plans are matured; for, unless he dare to lay the axe to the great trees in our forest of expenditure—millions of outlay which flows to the West, draining the life-blood of our social state—his inquiries towards reducing taxation will be like the labour of the Danaides.—*Sept.* 27, 1872.

DECEPTIVE RETRENCHMENT.

SOME months ago we took occasion, on special information received from home, to refer to the revision of establishments then going on at the India Office, which appeared to be conducted on very peculiar principles. We now receive, in due course, certain official papers which, while giving a number of details relating to the revision and future establishments of the Duke of Argyll's department, serve to throw but very little light on the course followed, and that light confirms our impression as to the unsoundness of the method pursued by the Committee. Mr. Grant Duff was its Chairman. We believe that about the same time another Committee was sitting to revise the establishments—that is, reduce the clerkly force at the Treasury. We may well believe that, when the pruning-knife had to be applied, few would use it so mercilessly as Mr. Robert Lowe; therefore, but for one circumstance, the Under Secretary at the India Office had a difficult task when striving to show as successful a result as that exhibited by the Chancellor of the Exchequer. The circumstance to which we refer is—that "India pays;" and the ingenious, if not ingenuous device, was hit upon of relieving the annual pay abstract by extensive removals to the pension list and on remarkably liberal terms. There the increase will not be noticed, for the Indian accounts are not the concern of the British tax-payer or his representative in Parliament. Thus, Mr. Grant Duff's scheme of revision enabled him to secure the few increases of salary required, make a fair show of retrenchment beside Mr. Lowe's, while the House will be deceived, and India endures a considerable but silent addition to her pension list. . . . . .

There are, moreover, certain circumstantial reasons against the Council accepting the *dictum* of Mr. Grant Duff's Committee, which ought to have aroused at least eight of them to uncompromising opposition. It appears that the report of the Committee "was purposely taken out of circulation" (was this about the time when it was found this journal had denounced the revision as a sham?); the members of Council were asked to refrain from noticing the subject until November; but in October it was found that the whole "scheme" had virtually been settled without them. . . . . .

We conclude our present remark on this curious and instructive page of modern secret history—this impertinent meddling and solemn trifling with the affairs of the Empire—by quoting Sir Bartle Frere's brief but emphatic "dissent": "I concur in Sir Henry Montgomery's dissent, more especially in that part which refers to the abolition of the Revenue as a separate department. The Council has had no opportunity of considering the scheme; and as far as I can judge, from the very imperfect knowledge I have been able to acquire of the details, it is not calculated to promote zeal, economy, or efficiency."—*Oct.* 4, 1872.

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URBAN IMPOSTS:

On Consumers and on Commerce.

WE have refrained from any special notice of the Council debate on octroi and transit duties until the full report should enable us to trace, as one of its most curious episodes, how it happened that the new European member of Council drifted into the false position of moving an increase in town duties on two of the necessaries of life, while he was preparing to stoutly resist the imposition of those levies on our staple article of merchandise. We do not overlook the elaborate apology for taking this course which was made by the Hon. Mr. Bythell in his reply, as reported in our yesterday's paper. But what does that amount to? Why, simply that when the Council very unwillingly, so far as Sir Seymour Fitzgerald and two or three other members were concerned, imposed town duties, they did not venture to meddle with the great staple; and, second, because the Hon. Mr. Narayen Wassodeo assures Mr. Bythell that the tax on ghee and sugar falls mainly on the wealthier native classes. . . . The mercantile member's strategic move was on this wise; he was very justly anxious to defeat the attempt to levy black-mail on the commerce of Bombay, and fondly imagined that he might conciliate the ever-taxing official majority and induce them to shunt the cotton tax, if he could help them to obtain an equivalent sum from the necessaries of life. Of course, we entirely acquit Mr. Bythell of inhumanity or of any desire to save trade at the expense of the people's daily food; for had not Mr. Narayen assured him that Lazarus despises sugar and ghee, which are, as that honourable colleague had assured him, only the luxuries of Dives. Thus Mr. Bythell's position was perfectly intelligible, and the taxing majority saw this; for he was allowed to carry his motion for enhancing the tax on sugar and ghee by triumphant majorities, including "the lineal descendant of the great Malborough;" but when it came to Mr. Bythell's turn to look for support, where then were the triumphant majorities? Why, on the other side. The friends of unlimited expenditure and indiscriminate taxation showed that they understood strategy to better purpose than the new mercantile member. . . . . .

It is discouraging for those who have been long accustomed to think that some indisputable principles of equity in taxation and industrial economy had become firmly established, to find that the men on whose decision hang the financial fortunes of Western India, can play fast-and-loose with those principles, or deny them altogether after the daring fashion of the flighty descendant of John Hampden, who a year or two since laid a heavy bet against the Newtonian theory of gravitation.

If there were any chance of the science of political and social economy being taught in our colleges in a life-like way and from fresh examples, this debate in our Legislative Council affords a whole harvest of fallacies which an energetic professor would gladly reap, so that he might thresh out therefrom the grain of wholesome truths so needful as safe guides to industrial welfare and commercial progress. Some of these fallacies, like Mr. Narayen's limed twig wherewith he caught Mr. Bythell, relate to matters of fact which thorough investigation would dissipate. . . . If His Excellency, Sir Philip Wodehouse, will be at the pains to institute a thorough and impartial enquiry he will find that every man, the coolie included, who pays for a lodging, has to sustain his full share of all the taxes paid by the owner, the water-rate amongst the rest when pipes are laid on to the chawl or tenement wherein he shelters his head and hides his family and small belongings. We cannot now pursue this subject further; and it is wearisome enough to have to turn again so so far backward on the worn paths of economic and legislative progress.—*Oct.* 10, 1872.

On House-owners or on Tenants.

II.—Unfortunately, we see in the case of some Poona legislators, many who can claim to have studied Adam Smith, Senior, and Mill, have forgotten the alphabet of the science; and while it would be necessary on their behalf that in meeting the letter of "Impartiality" we should take them back to their primers, time and space forbid us to attempt that labour. We can, indeed, readily state one or two of the simple leading principles which conduct to the right side in this controversy. . . . . .

Fiscal arrangements and obligations must be considered, first, on the score of equity; second, on the ground of expediency. Under the first head, justice requires that revenue shall be levied as nearly as may be in proportion to the income of each citizen or class. The corollary of this principle is that these incomes are most suitable to sustain taxation

which are most permanent and certain in their nature. This, if it be duly thought out, supplies abundant reply to our correspondent's query as to "the apparent uneveness of owners having to pay six per cent. and the tenant only four—" and we know that "Impartiality," however much he may have erred in this case, has capacity for thinking out a logical proposition. Taxation is more equitably imposed on real, than on personal property; on fixed incomes, than on precarious salaries; because—first, the owners of such incomes are less liable to reverses than those dependant on trade and employment; and, second, because, as is the case with city rents and houses in crowded towns, the owners of such income have great facility for passing on the tax to those who must pay for what is in great measure a monopoly. As our friend "Impartiality" sees clearly enough that "all cannot derive the same yield from their respective outlays and investments," he ought to appreciate the force of this reasoning that real property should, if needful, bear a larger proportion of civic taxation than personal income. There are in Bombay numerous subsidiary reasons why this fiscal order should obtain; but we cannot stay to apply or even to point out half the conclusions that point to the justice of the most stable class of fortunes yielding the largest share of municipal revenue. . . . If a landlord, after casting up the charges against his property—insurance, interest, repairs, deterioration, and rates—sees an "income hardly equivalent to the returns that holders of Government securities and other stocks get on their investment," he has no right (except as a protestor against a municipal extravagance) to single out the rates as *the* cause of his inadequate return. His investment is a poor one for the time, and so far he is an object for mild commisseration; but, as "Impartiality" severely observes, "their investments having turned out so unprofitable, (and) the improvidence of their own investments is their own affair; and an appeal for relief to them on that account is, I confess, more sentimental than fair and just."

We should like to have said something about the statistics of house-owners and occupiers which "Impartiality" uses with so much confidence. It is manifest they require to be closely tested. Taking them as they stand, the 14,000 houses inhabited by their owners afford us unexpected ground for agreement with our correspondent. He remarks, "if everybody had his own house to live in, then it matters little on what principle the two (owners and occupiers,) distinct rates are paid;" therefore, as we pointed out the other day, what these 14,000 have to complain of is the *weight*, not the incidence of taxation. Against that, as "Impartiality" will bear witness, we at least have maintained our firm and consistent testimony. But we should like to know more about these 14,000 houses. Do none but the owners live in them? Do not some of them swarm with relatives or tenants? And if so, how does it happen that the total cost of lodging and house room is not shared amongst all? Again, of the 6,500 houses and chawls of which the occupiers' rates are, or are to be, paid by the landlord, how many tenants live in one house, and how is it that they do not sustain any portion of those rates? Something is wanted here. Before the Hon. Narayen Wassodeo and his friends use these figures again, they should supplement them with a few vital statistics. We cannot now pursue this subject further; but some of the ground we should have occupied is taken up by an Anglo-vernacular contemporary, whose article, "Tax the Poor," we extract in another column.—*Oct.* 12, 1872.*

UNHEALTHY FOREIGN TRADE.

THE official "Accounts relating to the Trade and Navigation of British India" up to and including July, now published, enable us to gauge with tolerable distinctness that decline in our foreign commerce of which we have lately heard so much, and which, we regret to say, did not reach low-water mark even in July—usually our own slackest month of business. But let us now look at the first four months of the financial year 1872-73. As the Financial Department of the Government of India has not yet learned the elementary lesson in statics, that, in order to show the total foreign trade of any country, it is needful to present in one view the aggregate movements of treasure as well as merchandise, we must again supply the omission. The vacant space for the desiderated concise table still waits for it unutilised; so we must again compile our own summary of trade movements for the period under notice:—

* On the above topics see also pp. 380-3.

Four months ending 31st July.

	1870.	1871.	1872.
Grand total of Imports	Rs.11,22,81,592	9,03,21,747	9,78,52,555
Ditto. Treasure	2,37,62,852	1,36,28,831	2,36,28,045
	Rs.13,60,44,444	10,39,50,578	12,14,80,600
Total of Exports of Indian Produce ...	22,93,48,918	21,52,48,073	18,72,08,897
Ditto. Treasure	35,58,714	53,99,269	39,36,418
	Rs.23,29,07,632	22,06,47,339	19,11,45,315
Total Sea-borne Trade of India (except re-exports	36,89,52,076	32,45,97,917	31,26,25,915
Excess Exported by India ...	Rs.9,68,63,188	11,66,96,761	6,96,64,715

It will be observed that the total decline in money value on our foreign trade for the period under notice, as compared with that in 1870, amounts to £5,633,600—that is equivalent to a diminution of about £17,000,000 per annum. . . . . .

Though a palpable decline in the aggregate value of our foreign trade may interfere with what Sir Richard Temple calls "the sentiment of the historian," we may admit that it would be quite possible for a trade somewhat smaller in total value to leave as good or better profit to those engaged in it, than they reaped under statistics of heavier pecuniary amount.

But that the past season has been one for losing rather than making fortunes, both Calcutta and Bombay aver. One of our contemporaries in the eastern city raised the question the other day—Why has trade been so unprofitable? . . . But we need to go beyond this. There must be some general financial, monetary, or industrial cause underlying this unhealthy state of things—prices of exports unduly inflated, and imports unduly crowded into the ports without any adequate demand in the districts. It is no use jumping at conclusions merely to relieve our impatience at this discouraging and apparently insurmountable evil which besets all merchants engaged in foreign trade, native and European alike. But of all the causes referred to (apart from the politico-financial suction westward constantly going on), we have seen no guess that covers so much of the ground as that comprised in the following passage of our Bengal Commercial letter published yesterday week :—

> The reflection very reasonably suggests itself, how such or any trade can have progressed beyond a point where its volume of supply so exceeded that of demand, as to leave the penalty of such a violation of sound business principles, asserting itself at last with a strength not to be longer disregarded. Cheap, very cheap money for a long period has been a source of much mischief. Facilities have been largely afforded or furnished in quarters where the chief inducement has been the very low cost of the means to carry out ventures which might or might not succeed well, but had small chance of doing so even at the offset. . . . The superstructure had grown on an unreliable base. The State *placed millions of its surplus money at the disposal of the trading classes.* By so doing the cost of money (*i.e.*, floating capital available for discount) became *abnormal* and a wider, more extended field of *credit* grew out of the influences involved in this way. The market has now reached a stage when, with the artificial source or means of action rapidly decreasing, the requirements to prop the unstable position will become larger, and, with the enhanced cost of providing for them, a general readjustment will follow. It has, in fact, commenced already, &c.

In case these remarks may be slightly too technical in expression for readers not of the money market, we would ask them to fix their attention on the line we have italicised, and then the origin of the abnormally "cheap money" (*i.e.*, low rate of discount) will become apparent. The argument is this—by keeping the State's ready money, its "cash balances," at from £8,000,000 to 12,000,000 higher figure than in former times, and allowing the Presidency banks to count upon the use of that money, more capital is placed at the command of trader than they could have obtained from the ordinary sources of saving and profits. Thus, piece-goods, being producible in unlimited quantity, were thrust on our market; and export products, being limited by the amount of capital and labour available for tilling the soil, are artificially enhanced in price by competition amongst traders whose resources are artificially enhanced by the Finance Minister's blundering policy. But that is only "what is seen"; there yet remains "what is not seen." Those £8,000,000 or £10,000,000 thrown on the

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money market have been dragged from an impoverished country, which thus loses at once the capital needed to conduct and extend its agricultural operations, and the savings which would have enabled the people to pay off debts and to purchase commodities for use.

Now, is not the demonstration nearly complete? Do we not see here that a full circle of evil is accomplished by the withdrawal from the multitudinous little hoards of the people, of those vast aggregate sums which Sir R. Temple chuckled over last April, as he remarked with such unction that the balances of the State no longer "lie idle and infructuous"—a phrase which, in the exposition above, we have just turned inside out. We do not stay now to trace out the deteriorating influence on healthy commerce, and the check to its expansion and profits caused by the withdrawal of the funds and capital of the country as revealed in that line of our table above which shows that India's international trade is one-sided. In the four months under notice, the value of all our exports exceeded that of all our imports by nearly £7,000,000 sterling; but as this was during the season when our export trade is most brisk, it would not be quite correct to multiply that sum by three in order to arrive at the year's balance against India. . . .—*Oct.* 15, 1872.

LOOSE BANKING AND LONG USANCE.

THE apologetic, and also somewhat denunciatory speech made by Mr. Andrew Cassels, as Chairman of the Chartered Bank of India, Australia and China, cannot be regarded only as the letting-off of so much pent-up steam, though that was probably its main purpose and effect at the time of its utterance amidst a group of excited and dissatisfied shareholders. And though every one appreciates the sentiment of the Chairman when he disclaimed any desire to hit men who are down, as are the principals of the once proud firm of Gledstanes and Co., we must remember it is the shareholders who are hit; and, not only the shareholders of the Chartered Bank, but also those of the Agra, and mercantile creditors not a few. The leading partners of that firm have for many years had their good things—unlimited credit, the comforts of wealth, and high social position, all endorsed and guaranteed, as it were, by possession of "seats at the boards of two of the greatest banks of the world"—and now shareholders have their evil things, a dead loss of dividend and a serious depreciation in the market value of their shares. . . . When Mr. Cassels denounces the general "tone of commercial morality," as regards trading to the utmost extent for which credit can be obtained, he has a clearer course before him; and when he sighs after the Code Napoleon and complains because of the still defective condition of the English law of debtor and creditor, he opens out an inquiry which our crowd of would-be commercial legislators ought long since to have made unnecessary.

But when the Chairman of the Chartered Bank, speaking as on behalf of other exchange bank directors, raises grievous complaints against the insolvent firm, and indulges in somewhat lugubrious laments about "the failure coming suddenly upon them, the world being taken by surprise, and that no whispers to the disadvantage of the firm were in circulation," lookers on cannot help querying whether all this palinody is quite business-like; and, indeed, whether bank directors themselves have not a good deal to answer for in that this failure has proved so specially disastrous to the holders of Messrs. Gledstanes' acceptances. . . . . .

The Chairman of the Chartered Bank was very anxious to explain away the character of "accommodation bills," which, it is now seen, was really the nature of Messrs. Gledstanes' paper. . . . That large purchases of unsecured paper is essentially inconsistent with the principles and chief purposes of our exchange banks, is a proposition in support of which we can call an unexceptional witness, one whose testimony is none the less telling because, in this very matter of Gledstanes' clean bills, his practice has signally belied his precept. It is Mr. James Thomson, the fluent and bouncing Chairman of the Agra Bank, whom we now put into the box. We are indebted to our juvenile weekly contemporary for reminding us of a notable passage in the speech of that gentleman, delivered at one of the resuscitation meetings, and, if we mistake not, circulated, for the benefit of all and sundry, in a luxuriously got up pamphlet. Mr. Thomson, on that occasion, explained, for the benefit of shareholders unacquainted with business, how exceedingly

safe the exchange operations are in which the bulk of the bank transactions with the East consisted. . . . . .

"But whilst we regret the present disappointment of the shareholders in these two banks which are so intimately connected with Bombay, we trust the severe lesson concerning "clean bills" and six months' usance, will not be thrown away on bank managers and directors generally. Renewed and increase confidence in bank management is much required. As a proof of the sensitiveness—unreasonable and excessive as it is in degree—we may refer to what happened to the quotations of the Chartered Bank shares, which, as the Chairman pointed out, fell in a ratio of price equal to nearly five times the actual loss by the Gledstanes' paper.—*Nov.* 7, 1872.

THE SAUGOR BARRACKS—AN "AWFUL" EXAMPLE.

ONE feels inclined to sympathise with the Supreme Government in their almost humiliating admission that the failure of the Saugor barracks is "the most signal instance of the waste of public money that has taken place of late years in the construction of barracks." Even those who have consistently denounced the wasteful system adopted in the construction of public works in this country, while secretly satisfied probably at the verification of their prognostications, cannot but deplore so costly and culpable a disaster as that to which we invite the attention of our readers. The failure itself, it is true, does not immediately affect the principle of building monster barracks for the English troops stationed in India; but it will tend to check the profuse expenditure on such works, which, without some such signal disaster as this, would have inevitably gone on increasing until some tremendous financial or sanitary evil convinced the military authorities in a manner not to be mistaken, that their policy was ruinous. Such a check is in itself a great gain. It gives breathing-time to the authorities to reflect before they place in the hands of any other group of Engineers the power of wasting the public funds, in a manner either criminally careless or ignorant, as has been done during a course of four years in the construction of these now-condemned barracks at Saugor. Nearly 16¾ lakhs have been thrown to the coolies on these buildings, which have been "altogether abandoned." . . . .

Here we come to the period when that failure was detected by the determination of Mr. FitzJames, in spite of Mr. Armstrong blaming him for the position he had taken in exposing the "worthlessness of the work which had been executed." There is ample evidence to show that there were sufficiently able supervisors of the construction of the Saugor barracks, and that the point of feebleness and defect was the absence from the system of the department of any provision of personal *pecuniary* responsibility. Captain Faber, R.E., for example, may have been wholly unfit for the proper discharge of his professional duties; but he never would or could have conducted them in the culpably ignorant or indifferent manner that he appears to have done, if he, *as well as the Inspecting and Directing Officers*, knew that each and all would be personally and pecuniarily responsible for the unprofessional discharge of their individual duties. . . . . .

To return to the essential question of the apparent absence of personal responsibility in the Public Works Department, we would quote the opinion of a new, but close observer of some aspects of this system which regulates the immense expenditure of public money in works of construction; an observer who has come among us unwarped by the traditions which envelope and obscure the penetration of many otherwise able officers in India. We mean Mr. Guildford Molesworth, the adviser of the Government of India as regards State Railways; he says, "There are, however, some defects in organisation which, I think, require remedy. The Engineer-in-Chief of a State railway" (and we say equally of other works in India) "scarcely appears to me to have sufficient responsibility * * * and I consider that he alone should be the person to whom the Government should look for results;" and as that officer will thus be held personally responsible for *results*, and may run the risk of degradation, and possibly of removal, Mr. Molesworth recommends that it will be desirable to give him "greater power with regard to the dismissal of subordinates." There is more in what Mr. Molesworth says in his report than will be seen or appreciated by those who run as they read. . . . Therefore, it remains for the State to at least attempt the trial of some plan for exacting a pecuniary responsibility from the highly-paid and really able officers to whom vast powers of doing good service are entrusted with unlimited

confidence; and, unhappily, as this Saugor case typifies, also vast powers of committing mischief and loss to the public.—*Nov.* 12, 1872.*

H. E. LORD NORTHBROOK AND PROVINCIAL FINANCE.

THERE seems to be a general impression amongst those who have most opportunity of forming a correct judgment in the matter, that the direction in which the present Viceroy will exert most influence will be finance and army reform. In respect of the latter subject we yesterday gave confirmation of the surmise being correct. In the course of his late tour his Excellency's inquiries were mainly directed to these two subjects. Lord Northbrook never missed an opportunity of examining barracks, arsenals and fortification projects, and consulting personally with the leading local authorities in military matters on the questions of army reduction and reconstruction. Similarly, in the incidence of taxation whether imperial, provincial, or local; in the popularity or otherwise of special taxes; in the history of particular assessments and sources of revenue, he is understood to have made thorough investigation and to have called for minute returns. There can be no question that the decentralisation scheme boldly launched upon the Presidencies, and administration of British India by Lord Mayo was purely tentative, and not intended as the final development of the policy of self-government in financial matters. The essential mistakes in that scheme which the experience of the past two years has brought to light must now be recognised and corrected. . . . The scheme has not given to the local governments such complete control over the expenditure of the sum assigned as would seem to be natural and desirable. So long as Bombay does not make further demands on the Imperial Treasury for its jails, registration, police, education, medical service, printing, and provincial roads, than the £1,000,000 sterling allowed for these purposes, it certainly ought to be trusted entirely by the Imperial Government and permitted to distribute that expenditure as it considers proper without constant and vexatious references to the Government of India about trifling sums, which entail both delay and expense. Without this condition, the whole plan is abortive as well as unjust. If, then, his Excellency the Viceroy is prepared to deal with this question at present, he cannot do less than remove these petty interferences and references to Calcutta, which the acquaintance that he has now formed with the institutions and officers of this Presidency must have shown him to be unnecessary and uncalled for. . . . . .

Advocates as we have always been of local taxation in the proper sense of the term, and fully convinced of the success which has attended the working of Bombay Act III. 1869—which we consider to be the most successful piece of state-craft intiated by Sir Bartle Frere for the benefit of posterity—we shall not be accused of a wish to centralise all power of taxation entirely in the hands of the Supreme Government. But there is a wide difference between "local" and "provincial" taxation. The area within which the former is spent and collected is sufficiently small to enable every ryot to appreciate the benefit which he himself and his own talook derive from the imposition of the one-anna cess. Not so in the province. The head of a household in Kaladghee is equally indifferent whether his contribution under Act II. 1871 is spent in Sindh or in Trichinopoly; and the distinction between provincial and imperial taxation has no meaning for him. Under these circumstances a provincial tax cannot be less unpopular than an imperial tax; and this being admitted, it follows that the sole right of imposing it ought to vest in the Imperial Government, which alone ought to and can direct the financial policy of India as a State. . . . At present Bombay with its expanding revenue, already *twice per head* that of Bengal, sees its accretions of natural surplus swept into the great gulf of the central exchequer. Whatever Lord

* As to the general subject of the "palatial barracks,"—their large cost, at least £12,000,000 sterling, most of which was paid out of current revenue, and their unsuitability—see pp. 338-9 and 344, the illustration referred to above, which occurred at Saugor in the Central Provinces, served to fasten public attention on the extravagance displayed in these structures, and to gross mismanagement in the work of construction. There were several similar instances of disastrous neglect and waste in these buildings, and this "awful example" at Saugor was turned to account by the Government of India in securing better engineering supervision. It may be mentioned, in passing, that Mr. Molesworth—incidentally referred to in the article—who had then recently entered on his special duty in India as Consulting Engineer to Government for railway construction, is (at the time these proofs are being revised) now retiring from his highly serviceable and honourable career.

Northbrook may decide, one thing seems clear, that the perpetual fear of new impositions which the facility of provincial taxation inspires, is becoming a serious evil; and if there is one straw needed to break Bapoo's back, it is that supplied by constant experiments upon the best method of reaching his pocket.—*Jan.* 4, 1873.

LORD WILLIAM HAY'S LECTURE AT EDINBURGH:

England's Obligations to India.

IN the home papers by the present mail we have not as yet noticed any article, speech, or letter nearly so interesting in its direct bearing on Indian affairs as the lecture by Lord William Hay [now the Marquis of Tweeddale], at the Philosophical Institution, Edinburgh, a special report of which appeared in our paper of the 22nd and 23rd. The address presents a happy combination of high politics, familiar illustration, and earnest practical counsel. Many who may feel strong opposition to some of the lecturer's proposals will be gratified at seeing nearly all the prominent Indian questions of the day so skilfully grouped together in an address delivered to a highly appreciative and intelligent audience. . . . . .

It has become the fashion with those politicians who desire, when English interests seem at stake, to treat India as an *abject* dependency, to speak slightingly of the Queen's Proclamation—that regal and authoritative document in which her Majesty and her responsible advisers declared the terms on which they accepted the renewed obligations of Britain's sovereignty over India. Lord William has not adopted that fashion. Having held responsible positions in India for many years before the deluge, and during the sullen peace which followed it, he can thoroughly appreciate the inestimable value of the imperial declaration which, in truly royal style, announced the bringing in of a new order of things. And he justly says—"No more important communication was ever made by one nation to another; and we cannot be surprised that our fellow-subjects in India should watch with jealous interest the manner of its fulfilment." . . . . . .

It seems to be thought by some that Parliament can, if it likes, deal with the multitudinous details of Indian administration; and the sooner this delusion is dissipated the better. The functions of Parliament towards India, as described in the passage we have quoted, are indeed onerous and pressing enough to satisfy the ambition of the proudest assembly of the world. It is only through the High Court of Parliament that the elevated aim can be maintained which was expressed by the present Premier in 1858, as aptly quoted by the lecturer. Mr. Gladstone then said: "What else do you want by the changes that you wish to introduce to the Indian Government? You want, or at least I, for my own part, want to bring public opinion to bear upon Indian affairs. I want to see the people of England more sensible than they have hitherto been of the enormous responsibilities they have contracted with regard to India."

It is admitted that this responsibility has not been realised; and the practical object of Lord William Hay's address was to show that this is largely due to the clumsy parliamentary management of Indian business by her Majesty's ministers. . . . We urged, and shall urge again on every fitting opportunity until shown that our proposal is impracticable, that the Indian financial accounts should be made conterminous with the calendar year, and that the Finance Minister shall read his Budget as soon after New Year's day as may be practicable. If this were done, Parliament could perform its great annual duty towards India soon after the bustle of opening the session subsides, and whilst the minds of members are fresh for their work, and whilst they retain sufficient vigour to rise for an hour or two to the level of Lord Chatham's range of view when he said, "Indian affairs are, according to my ideas of greatness, the most important of all our concerns."

Simple as this expedient of changing the date of our financial year will seem when once it shall be accomplished, we believe it will do more to ensure effective and independent attention to Indian affairs than all the orators of St. Stephen's or the Adelphi. But the Edinburgh lecturer (Lord William Hay), made a more weighty suggestion, and one which, as its adoption would in a certain sense touch the pockets of John Bull, would be still more potent towards ensuring attendance and intelligent attention to Indian financial debates. We allude to Lord William's proposal—one made by other politicians many times—that the British Parliament shall extend its guarantee to the Indian national

debt. . . . There is, indeed, one obstacle and that a thumper—the difficulty of getting the English Ministry to accede to it. The House of Commons, under unusual fits of political excitement, has given guarantees to Turkish or Greek loans; but the maxim, "everything from India and nothing to her," is so ingrained in the mind of English politicians, especially the Whig section thereof, that Lord William's proposal to consolidate the varied Indian stocks into the "sweet simplicity of the three per cents" will require years of strenuous advocacy before the measure will be endorsed by an English Chancellor of the Exchequer. For our part, we may frankly confess, that much persuasion would be required to induce us to join any deputation awaiting on Mr. Robert Lowe, asking him to give his consent to guarantee the Indian debt. It is quite sufficient to imagine the polished gibes and the incisive sneers wherewith he would clothe in refined garb the hard but expressive vulgarism—"Don't you wish you may get it." Nevertheless we are fairly convinced alike of the justice and expediency of assimilating Indian and English State obligations; and as India was never won, nor can be ruled by politicians of the Lowe and Ayrton stamp, it is not impossible that some such *rapprochement* may be acceeded to within a very few years. But there is another measure of financial equity which is needed in order to make, not only Parliament but the British constituencies vigilant in regard to Indian resources. We mean the acknowledgement of mutual obligation in maintaining the connexion between the two countries. This could be done, with immense pecuniary and industrial advantage to India, by England taking on herself to pay £2,000,000 or £3,000,000 annually for those portions of the home charges which are necessarily paid out and finally consumed in England. This, as well as the proposal to give an imperial guarantee on the Indian debt, were both put forward by Sir George Wingate in 1859; and in spite of the persistence with which the parliamentary leaders on both sides of the House ignore these reasonable claims on behalf of India, it is certain that to this complexion must Parliament come at last. . . . . .

Seldom has the adaptability of Shaksperean quotations been more aptly shown than when, following the remark just quoted, the lecturer thus applies the familiar soliloquy of that arch-villain Iago—"India is a garden to which our wills are gardeners * * * why the power and cognisable authority lies in our wills." As to India having been "distracted with many 'genders of herbs" under the Crown regime of "freshness and energy" so dear to Mr. Grant Duff, Lord William holds very decided opinions, which, if the *Pall Mall Gazette* chooses, it may write down as more "common places about India." The lecturer, when he uses that somewhat misinterpreted phrase "over-legislation" does so with discrimination; and even our late Legal Member [Sir Henry Maine] would have to admit that the quondam Commissioner of Simla knows very well what he is talking about. —*Jan.* 25, 1873.

THE BOMBAY MEMBER HOLDS HIS OWN.

The Punjab Municipal Bill.

THE Hon. F. S. Chapman certainly deserved better success last week in his single-handed combat with the Punjab Municipalities Bill and its numerous apologists. Only a year ago the majority of the Council were astounded at the audacity of the Punjabees, who having been granted an inch—prolongation and legitimisation of their rough and ready municipal system for one year—sought to gain their ell; that is, full legitimacy without any limitation as to time. Then, the men of the five rivers were, in effect, asked, if they expected to override the Government of India and supersede the Legislature; now, his Honour of Bengal politely remarks that the Hon. Mr. Chapman "strains at a Punjab gnat but swallows a Bombay camel;" the Legal Member—with the weighty authority derived from his having read all last year's debate on the subject; the Hon. Mr. Ellis—who made an effective side-thrust at his Honour of Bengal's wild statistics—seemed glad to give his friend of Bombay the go-by; while his Excellency the Viceroy, in the suavest manner, intimated that our Bombay member ought to knuckle under to wiser men and allow business to proceed. As to the ever radiant Finance Minister, it was only to be expected that, with the tide running at this rate, he would assure everybody that in the Punjab, the province where he won his spurs, the municipalities are model republics. But, when we have our reasons, we are a stiff-necked race in the Western Presidency; and our representative member did us credit in declining to be sat upon, and in exercising his right

of reply, though he stood in an immovable minority of one. He took the opportunity also of disclaiming all intention of sitting in judgment on "the excellent and vigorous Government of the Punjab;" but, sitting in the seat of legislation as he is, he feels free to say that even the shining lights of Lahore and the territories thereunder should be guided by Imperial law, rather than by rules devised within their own coteries. The Bill has, it appears, been amended since its appearance last year, and that, too, in the sense of giving the Supreme Executive some ultimate control over municipal taxation in the Punjab. . .

Still much may be done towards making Imperial policy plain without any direct interference with local authorities—save and except in such instances as the recent one when certain members of the Bombay Council sought to levy municipal taxes on the staple export of Western India. The Minute of 1868, deprecating the stealthy and rapid growth of octroi duties, and specifying the restrictions to which the insinuating method of relieving capital at the expense of trade and labour must be subjected, affords a case in point in which the Executive Government did its duty as guardian of the unrepresented masses, and as the exponent of true fiscal principle. But it is doubtful whether this admirable, albeit far from radical manifesto would have been issued when it was, had it not been for the exertions of the Calcutta Chamber of Commerce, and the efforts of Mr. Bullen Smith with other mercantile members of Council. . . . . .

Of course, any levy which shifts the burden of civic taxation from the shoulders of these gentlemen on to those of the ignorant and unrepresented classes, is certain to be in accord with the "feelings" of the classes *pro tanto* exempted from their fair share of civic taxation. Must we not expect a high-principled statesman like Lord Northbrook to be slightly ashamed of such a plea when it is followed out? Then, as to this ignorant and unrepresented class, the dumb masses of our towns and cities: Is not the Supreme Council—both Legislative and Executive—bound to be the guardian and the jealous defender of these blind, helpless people? This being so, let the Hon. Mr. Chapman and his Excellency the President, before again adducing the "feelings of the people" as an excuse for taxing the necessaries of life and crippling the operations of commerce, take out their pencils, work a small sum in simple proportion, and thereby remind themselves how grossly inequitable such a fiscal policy must needs be. There is often much vague talk about our mission to the people of India; but one of its most essential, and as yet neglected departments, is that of enforcing the high principle of *equity* in taxation.—*Jan* 31, 1873.

THE VICEROY ON LOCAL TAXATION.

Sir P. Wodehouse left to "Bell the Cat."

LORD NORTHBROOK'S Minute on local taxation (the Secretariat signature being in this instance a mere form) appears in another column and will be perused with much interest. Though it records little more than bare conclusions, its several brief paragraphs bear witness that much close reading and many hours of careful consideration have gone to the inditing of this State paper which—to adopt his Lordship's commendation, applied to the officers whose reports he was reviewing—betokens "an anxious desire for the prosperity of India and the wellbeing of the people." The great majority of readers will not care to go a line beyond the close of para 11, where it is written: "Whilst, however, the Governor-General in Council is resolved to carry out the general policy which is above recited, his Excellency is glad of the opportunity which has been afforded him of declaring that no further increase of local taxation is now required."

And yet that "however" covers an important reservation. His Excellency, besides giving a general indication that he thinks it desirable to maintain most, if not all, existing local taxation, records the determination, of all the high authorities concerned, to make the road-cess in Bengal become one of the "recognised institutions of the country," and also to convince the talookdars of Oude, that, as favoured proprietors, they must be content to bear their incidence of the Local Rates Act. It is to be desired that some intimation had been given, however concisely, that the Supreme Government fully recognises the essentially different position as regards local and supplementary taxation which is occupied by privileged classes like the Bengal zemindars and Oude talookdars, as compared with cultivators in other parts of India who, in many instances, pay up to the full rental value of the land. Local taxation in Western India, where it comes on the top of "imperial taxation" already as heavy as the

people can bear, is quite a different thing from its levy in provinces like Bengal, the eastern portion of the N.W. Provinces and the northern districts of Madras, where the aggregate yield to the imperial revenues is scarcely half the amount per head that is drawn from this Presidency. This, by the way, is one chief item in the reply that ought to be given to Sir Chas. Trevelyan by one of our able revenue officers in respect of that veteran financier's ignorant comparison between the £880,000 granted to Bombay in the provincial distribution and the £1,168,592 drawn by Bengal. Instead of there being in this "gross unfairness," to the people of Bengal as Sir Charles alleges, the unfairness is the other way. Again and again have we shown that the people of Western India yield twice or probably thrice the amount of revenue per head that is contributed by the inhabitants of Bengal, and it does not say much for the acuteness of the Finance Committee that the witness in question was not pulled up sharp. . . . . .*

No amount of "unanimity of opinion," however remarkable, can disabuse us "provincials" of the conviction, that the object aimed at by those members of the Supreme Government concerned in drawing up the resolution of December 1870, was to relieve the central bureau of the odium of increased taxation, and to compel the local administrations to exercise their ingenuity in squeezing more revenue out of the people to provide for those exigences which, in the parlance of the Simla men themselves are "certain to arise in connexion with the progress of the country." The provinces were "perpetually settled" off with a definite limited grant; the central Government retained full control over all expanding sources of revenue; but the paltry fees—under the head of schools, jails, registration, &c., —assigned to the provinces are of such a nature that by no manipulation, however skilful, can the income be much increased. As all the "services" turned over to the "provincials" are such as must be well supplied and efficiently managed, there is little or no scope for saving, and the "direct interest in economy," given by this scheme of 1870 is of the very smallest. That the measure has been successful to a very small extent in this respect, and perhaps in a greater degree in abating friction between the Simla and local Governments, may be admitted; but that is only to say that the former state of things had become unendurable, while, as we have had occasion to point out, friction and jealous centralisation in some other directions have been as bad or worse than ever.

Viewed from the statesman's standpoint—that is, examined by some impartial man fully aware of the tendency of central administrations to magnify their office and multiply departments, and knowing, too, how helpless the Government of India choses to remain in regard to the military and other expenditure forced on it from home—the "success" spoken of so complacently in this resolution must be regarded as a very small incident indeed. The fact is, decentralisation was begun at the wrong end. The old centralising and autocratic, yet withal (Bengal) provincialising spirit needs to be exorcised from the Supreme Government; but this can only be done through Parliament, backed up by some strong public feeling at home, and there is no present prospect of that being evoked. . . . . .

And it is worth noting that nearly the whole of these reports, by which Lord Northbrook sets so much store, are supplied by gentlemen of the Revenue branch of the Service. It cannot fail to strike his Lordship, on reflection, that this is far from being an exhaustive method of ascertaining "the feelings of the people of India." And it strikes us that almost every suggestion and criticism to be found in this thick volume of reports had previously been scattered broad-cast through our own columns and those of our contemporaries; but a Governor-General can no more find time "to read the papers" than could the great Pitt. We are glad to notice, however, that his Excellency has his eye on the growth of the insinuating octroi system, and that he has put his finger on Surat, Broach, Kurrachee and the Punjab municipalities generally as conspicuous offenders in this regard. Still it is to be regretted that in reprehending this convenient fiscal sin—favoured alike by Civilian revenue officers and native municipal commissioners—Lord Northbrook only brings forward the

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* For full exposition of this subject, the unequal contribution of the several presidencies to the imperial revenues, the unduly small share yielded by Bengal, and consequent inequitable burden on Bombay, Madras, &c., see pp. 327-9, 342, and 365-6. For effect of the new Decentralisation policy in causing irksome pressure on the "Provincials," see pp. 368-9, and the struggles of Sir Seymour Fitzgerald's Government to adjust the difficulties so caused.

established conventional argument against these taxes of the gate—namely, that they are liable to become transit duties. He might have at least hinted, that, taken alone, an octroi levy is about the most inequitable of all methods of raising a revenue.—*March* 26, 1873.

OUR FINANCES IN 1872-73:

Sir Richard Temple Deposed.

THE Financial Statement comes to us this year in the unwonted shape of "a Minute" by the Hon. Sir R. Temple, which, as the brief resolution covering it rather quaintly remarks, contains "*his* review of and opinions regarding the financial policy of the Government of India." Though authorised by the whole Executive, this document is essentially a personal one and must be read as Sir Richard Temple's apology for past blunders, and his glorification of the good luck which enables him to enjoy the blessings of retrenchment and reduced taxation forced upon him and his colleagues by an indignant public opinion. Under a parliamentary system, as in Europe, Sir Richard would have been hurled from power because of the still unredeemed and unpardonable blunder of the heavy rate and low range of income-tax in 1870-1; and, in that case, some successor would have had to dilate on the wiser management which the present statement unfolds. If, then, we bear in mind that it is really Sir R. Temple's own policy which forms the dark background to the comparatively pleasant picture now presented, we shall not be deceived by the glamour which, thanks to the Finance Minister's rhetorical skill, is cast over the whole review. We shall not be led astray, and shall be better able to form sound conclusions on the several problems presented for consideration.

Take, for instance, the congratulations over the alleged success of the Provincial Services scheme. Every one admits that, so far as the local administrations get grants in a lump sum for which they had formerly to haggle item by item, there is so much wasted energy saved; but when the Finance Minister takes credit that under the resolution of December 1870 only £212,000 of additional taxation is raised, and when he complacently remarks that the "system has not aggravated the burdens of the people," the too facile penman must be pulled up. Because the provincial administrations have refrained from levying, or have failed to carry new taxes, it must not be said that such result was not to be expected. As Sir C. Trevelyan says in his evidence we published yesterday, though many new taxes have not been levied, they "have acted as bogies to frighten the country." In this Presidency we are not likely to forget the abortive scheme of a feast tax, nor the uncompensated vexation and suffering endured in many of our own rural districts by reason of the so-called non-agricultural tax. . . . . .

In proceeding to notice the Finance Minister's ingenious retrospective apology for the haphazard finance of the last few years we must bring out some of the facts on which his pleas are based. He shows that there has been an aggregate of surplus since 1869-70 of £6,000,000; and we gather from a subsequent paragraph that the aggregate deficit in the three years ending 1869 amounted to £6,250,000. Thus it took half as much more time to fetch up to, than it did to fall below the mark. There will be a good deal of discussion on the paragraphs in which Sir Richard Temple sets the deficit against the surplus; and we much mistake, if, when the controversy clears off, the £4,500,000 derived from the income-tax will occupy quite that prominent place which Sir Richard, the artist, assigns it in his fancy picture. It is so easy, with some persons, to throw dust in the eyes of the public by playing off one set of figures against the other. With verbose expression and pretentious phrase the Finance Minister claims that the £4,500,000 gleaned by income-tax from 1869 to 1873,—including the £2,000,000 collected in that year of gloom 1870-1—"proves the importance of the measures passed by the legislature during the period under review and illustrates the share they have had in the maintenance of the financial status." Let us treat this wind-bag to a prick or two. It appears that during the four years in question the net surplus from opium over budget estimate was £3,894,140. The little circumstance that the opium estimate was kept down, as one of the devices adopted to excuse the baneful levy of 3⅛ per cent., is pushed out of sight by euphemisms about the estimates being "purposely made with cautious moderation," and, we desired "that the opium estimate should be made absolutely secure." But, again, whilst the drug contributed nearly £4,000,000 to the aggregate surplus,

it appears that there is also a reduction of expenditure in 1872-3 as compared with 1868-9 of £3,500,000, nearly half of which is due to checked outlay on public works. Thus we have the whole surplus of £6,250,000 accounted for on principles, which, more faithfully carried out, would have served to dispense with the income-tax altogether, or restrict it to a levy on the well-to-do, instead of leaving it to drive like a ploughshare through every rank of society except labourers and menials. It is pleaded in this statement that "the condition of deficit had been so serious for three years" that some "adequate remedy must be provided." But was not the remedy violent, excessive, and exhausting? . . . . . .

In the passage where Sir Richard refers to the adverse exchange, he says—"Another reason (for the low rate) is doubtless connected with the inevitably large drawings upon India by the Seretary of State in England, now that India has to remit annually the sum of her whole debt to the Home Treasury without any assistance being derived from the capital payment in England by the guaranteed railway companies of India." It is much for the Finance Minister to make such a plain reference to this ominous subject, one to which we have frequently drawn attention; therefore we need not be critical. Yet while an official must speak of "*inevitably* large drawings," it does not follow that the public are compelled to acquiesce in this assertion of inevitableness. Could not commercial men give us some assistance in following up this very grave topic, now that an impression has been made on the official mind?

In regard to another peril which the Finance Minister treats in gingerly phrase but suggestive fashion, there is an urgent call for business men to turn their attention. We refer to the financial failure of our present railway system. Sir Richard Temple shows that "the goods traffic has for some years been either stationary or slightly retrogressive." Some idea of what this means in its bearing on the general condition of the country may, by the instructed eye, be gleaned from the figures given in the statement; but it is significant of the lack of moral courage prevalent in the Government of India that Sir Richard has nothing to propose, except the question, whether "the railway management and administration might not be more practically adapted to the needs and habits of the country?" Doubtless railway administration might be improved in some respects; but the few good men on various lines do wonders, considering the dead weight they have to pull against in a system of railways and rolling stock which is fifty per cent. too costly and cumbrous for the country. Sir Richard Temple knows well enough, from facts and stastistics before the Government of India, that there is *no* escape from the present ruinous loss, except in a very extensive and radical change of railway construction and equipment.

The two great facts of the financial situation for the year ending yesterday are—first, the loss on Railways has been £317,000 more than was estimated, being a total of £2,117,000; and, second, that Opium has yielded £1,482,000 more than estimate. "Here be truths!" —*April* 1, 1873.

AN ANCIENT BENGAL CIVILIAN ON BOMBAY SINNERS:

Admiralty Encroachment and Costly Railways.

AMIDST Budget statements and other pressing matters we have not found time to overtake the evidence given by Sir Charles Trevelyan before the Select Committee. It presents striking contrasts in the sound broad views propounded by the witness one half hour—and the narrow notions, ancient prejudices, and provincial antipathies that are drawn from him the next. Here, for instance, is an antiquarian fallacy, crusted like old port but crude and useless as sour claret—"Bengal gives, nevertheless, a magnificent return in the shape of indirect taxation; it is still the great treasury of India and gives a magnificent reserve." Home politicians, who on making further inquiry, may happen to have had the utter nonsense of this statement explained to them, may well despair of ever understanding Indian affairs. Here they find that a grey-headed Civilian, a man who has had full charge of all the financial concerns of India, indulging in a delusion which, if embodied in a student's examination paper, ought to result in his being plucked. This wild assertion about Bengal's "magnificent return in the shape of indirect taxation" was uttered in reply to the very sensible query put by Mr. J. B. Smith to the effect, whether, if there must be export duties—another of Sir Charles's inconsistencies and foibles—it would not be fair to restrict them to

Bengal, which, in virtue of its permanent settlement, enjoys a considerable degree of immunity from our imperial taxation. Why did not Mr. Smith, or some other Committee man, ask the too fluent witness to explain wherein consists the "magnificent indirect taxation" of Bengal? If Sir Charles had pointed to the opium revenue, there are men on the Committee who would at once have seen that the witness was talking absurdity. The opium revenue realised in Bengal is no more "indirect taxation" than would be, for the N.W. Provinces, the proceeds of a silver mine in Kulu, supposing that sub-Himalayan district shall ever produce such an out-turn. It is well-known to those who have studied Indian finance, that, apart, perhaps, from the indirect taxation paid by the Europeans of Calcutta, the taxes gleaned from the Bengal Presidency are far smaller per head than in the other province of India. This is really one of the tests and turning-points of Indian finance; yet when Sir Charles blundered so hopelessly in the matter there was not a single member of the Committee to set him right. We have often gone through and printed the calculations demonstrating the inadequate contribution of Bengal to the central exchequer, and we need not now go again into the subject.*

Possibly Sir Charles Trevelyan's intense antipathy to Bombay and all connected with it, is one cause of his repeating this ancient Nabob's tradition about Bengal being the "great Treasury of India." Be that as it may, Sir Charles's opinions about Bombay sinners, and his eager catching at Sir Stafford Northcote's phrase about the Governor of this "minor Presidency" taking "the bit in his teeth," is all very amusing, but does not go for much towards settling any still disputed questions relating to that period. As it has been aptly remarked by a contemporary, the quondam Governor of Madras is as good a specimen of a "runaway horse" as one might expect to meet in a Committee-room. . . . . .

In fact, Sir Charles Trevelyan put the Committee quite on a wrong tack when he represents Sir Bartle Frere as having appropriated imperial funds for Bombay purposes. The sin was the other way; and it is much nearer the mark when a well-known Bombay writer (whom we quote at some length in another column) speaks of "the policy of the Government of India in seizing the money of Bombay to enrich the imperial revenues." This is a true bill to a great extent; and the Finance Committee would do well to make a note of it before accepting Sir Charles Trevelyan's denunciations against this obstreperous Presidency. It was, indeed, the money of the private citizens of Bombay which paid for the ground on the esplanade from which the old ramparts were removed, for part of the Back Bay property, for the Powder Works at Mazagon, and for the Frere and other foreshores; and where has that money been spent? Not on a single one of the works so urgently needed on behalf of the health and commerce of the city. It has been spent on harbour defences which have caused more harm to our port than the batteries will ever inflict on an enemy—on almost useless reclamations, now tumbled into the great gulf of the Port Trust —on "standard" barracks in the Deccan—on Powder Works and other buildings at Kirkee —and on the Italian palace at Gunnesh Khind which cost nearly twice as much as it ought to have done. It is too bad that the people of Bombay should have contributed their money for these "imperial" purposes, and then that Sir Bartle Frere should be denounced by the Supreme Government or its partisans on the charge of appropriating national funds for the benefit of Bombay. . . . . .

Sir C. Trevelyan knows better than to admit that India either gets or needs any more protection from the British Navy than is received by Australian or any other of our colonies, not one of which pays a shilling for naval services; but he ought to have thought of that before he entered on his raid against the Indian Navy, which, as against the Bombay Marine, has been faithfully prolonged by the Department of Accounts, that organisation which is to some extent a memorial of the honourable gentleman. The Accountant-Generals have "nagged" away at the Bombay Marine, and caused it to sell off its few steamers until the annual reliefs have to be managed by contract, so that the Dockyard can now easily be made appear as too big for its work. In turn, we suppose, that institution will have to give way to some bran new establishment directed from Portsmouth and affiliated to that costly Westminster toy, the Hydraulic Lift. Sir Charles did point out, to Mr. Grant Duff, that keeping the peace of the Persian Gulf is a trifling work compared with what was required twenty years ago, when the Indian Navy officers had to be familiar with every islet and inlet;

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* See footnote on p. 408 *et supra.*

but the venerable financier lives to see his jealous narrow prejudice against Bombay which helped to extinguish the Indian Navy, result in less work being done for more money, and in Indian interests being sacrificed to the convenience of the Admiralty and the extension of its patronage in a direction free from parliamentary control. This is the natural consequence of the efforts of "penny wise and pound foolish" financiers, and prominent in the van of this band is Sir Charles Trevelyan.

He displays this characteristic in his mistimed efforts to check the great railway reform to which the Government of India has set its hand, though with feeble grasp. It is one of Sir Charles's merits that he does fully realise the impecuniosity of the masses of the India populations; witness his remark about 99 out of 100 being so poor that they can scarcely afford the present third class railway fares. Yet, this man is urging on the home authorities to make another big railway all the way to Peshawur which would "only cost £3,000,000;" and he would have the Indus Valley line made "on the full gauge" in face of the ruinous loss which such a course would add to the two lines above and below it, and which, as Sir R. Temple has just shown in his statement, did not, last half year, pay two per cent. He sees almost as clearly as Sir Arthur Cotton, the urgent necessity of India produce being brought to the coast at a very low rate of carriage; yet he exerts all the influence he has in support of a costly system of locomotion under which really cheap carriage for bulky products is impossible. . . . . .

We have not completed the list of inconsistencies presented by this financier on whom the Committee bestowed so much attention; for Sir Charles, who would compass sea and land to cut down the pay of sepoy or policeman by one rupee per mensem, clings to the extravagant but happily exploded folly of a perpetual settlement of the land revenue. —*April* 4, 1873.

HOME RESPONSIBILITY FOR INDIAN EMBARRASSMENTS:

Mr. Grant Duff attempts to Hide the Truth.

IS excessive expenditure more frequently forced on India by the home authorities, or invited by the Indian Government itself? This question is one about which, speaking broadly, there are not two opinions in India; but it appears from the keen cross-examination of Sir Charles Trevelyan (on March 4), by which Mr. Grant Duff attempted to fix the Government of India with responsibility for the "palatial barracks," that some members of Parliament do entertain doubts on the subject. Reasoning on *a priori* principles, one would think they must see that a superior authority having, practically, no responsibility for the raising or expenditure of money—which is the position of the Secretary of State either in or out of Council—would be more likely to devise and insist upon projects involving large outlay, than would the authorities in India whose personal responsibility for expenditure sticks to them throughout their future career, and who, as district officers, have seen and felt the ill effects of excessive taxation and revenues being drawn out of the country. But Mr. Grant Duff, having at length felt the official epidermis pierced by the Press of India in its continuous exposure of the huge barrack building blunder, made a dead set upon Sir Charles Trevelyan—who was Finance Minister in 1863—with, as we have said, the determination of fixing the Government of India with responsibility for that grievously mistaken financial and sanitary policy.

And how does the dashing Under Secretary set about this apparently impossible task? In the simplest manner possible. His recipe is, "let us stick to dates;" and with a carefully concocted set of queries, relating to the time when the report of the Royal Sanitary Commission was formally circulated in India—backed up by the subservient preconcerted evidence of Colonel Crommelin, introduced in a theatrical fashion for the purpose—he sought to hoodwink the Select Committee into the belief that the extravagant and ill-devised barrack scheme did not originate in England. Tricks of this kind and the offensive audacity with which they are performed have generated such a feeling of distrust throughout India against the two present parliamentary mouthpieces of the India Council, that the confirmation of the fall of the Gladstone Ministry would have been received here with jubilation. Of course, the retired Finance Minister was not prepared for such a broadside from these official guns, heavy shotted with dates. He ought to have declined to to answer these questions ingeniously contrived at the India Office, except after ample opportunity to consider what his replies would involve, and time allowed him to refer to

his own and other memoranda. It does not say much for the vigilance of the Select Committee that, except Mr. Fawcett and the Chairman as president, not one of them interposed to protect Sir Charles from the unfair badgering to which he was exposed. . .

But any one with a fair memory of this period of Indian history can easily reconcile the apparent inconsistency. In the passage from Sir C. Wood's despatch, just summarised, he is speaking in his own natural thrifty character; but what was he to do against the "general course of events," and in opposition to the indiscriminate mania for sanitary engineering that had set in at home, and of which the Report of the Military Commission for India was notoriously an outcome? That report appears to have been issued and sent to India early in 1864; but long before that, Miss Nightingale and all the influential sanitary authorities had been ringing the changes on the now exploded statistics of 69 deaths per thousand. Thus, no matter what date the report came out it is quite true, as Sir C. Trevelyan said, that "the outturn of that Commission was perfectly well understood in India." The misleading query, as put by Mr. Grant Duff, and his device to make the duly primed Colonel Crommelin say that he had not time to make alterations in his plans after receiving those of the Royal Commission, is so much like a deliberate misrepresentation, that the Committee ought to take serious notice of the episode. Sir Charles Trevelyan only repeats the conviction of everyone out here when he avers that "the model plans and recommendations of the Royal Commission were the polar star of the Supreme Government even before the report of the Commission was received." . . .

Doubtless, several members of the Government of India ten years ago, and some of its potent advisers were bitten with the sanitary mania of the period, and these would also be the men most subservient to the fashionable opinions prevailing at home in influential quarters. To weakness of this kind India owes many a million of needless expenditure, but it will require half-a-dozen Grant Duffs to disprove the proposition—that all the impulses to large expenditure of Indian funds have come from home delusions, misapprehensions, home interests, and home indifference to outlay which is not felt by the home taxpayer. It was so with the terrible blunder of the Afghan war; with the Dalhousie policy; with the Amalgamation; and now India will have a narrow escape if delusions in Parliament about the invasion bogie, and the sinister influence of London boards, contractors, and engineers, do not succeed in driving the Indian Government to an extension of the railway system, in its present costly form, a policy which will entail more loss on the Indian taxpayer than even that which is being inflicted by Amalgamation.*—*April 7, 1873.*

THE BENGAL OPIUM REVENUE:

Is it Indirect Taxation?

JUST now, when it is being perceived by the outer world that there are certain wide differences between the amounts of revenue contributed to our central exchequer by the nine provinces of India respectively, it may be well to look once more at the attempts being made, by one or other of our Calcutta contemporaries, to claim the Bengal opium returns as a provincial revenue. The *Hindo Patriot* appears to assert without reservation, that the whole nett returns of £6,000,000 or so derived by the State from the purchase and sale of opium in Bengal, is a tax levied on the cultivators of that Presidency, and is contributed by it out of profits that would otherwise be gained by the ryots, or rather by the zemindars and the middlemen. It only requires one to remember for a moment the conditions under which the Bengal opium revenue is collected, to see how futile is this plea. In the first place it must be remembered that a considerable portion of this revenue, though realised in Calcutta, is from the produce of the N.W. Provinces. But what would happen if the present system were replaced by free trade in opium, and permission were granted for the seductive flower with its cursed product to be produced by everyone, and everywhere that it could be induced to grow? Why, the price per chest would sink to probably much less than half the present figure; for the £6,000,000 which the *Patriot* regards as now being

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* As the result proved, there was *no* escape for India from these deluded or selfish influences on behalf of lavish outlay of Indian funds, under the burdencaused by which India has to struggle and stagger on her way towards a future of ever-increasing difficulty.

withheld from the zemindars and ryots of Bengal and sequestrated by the State, would, instead, be dispersed, not only amongst the cultivating and landholding classes all over India, but the lion's share of profit would be absorbed by the overmastering capitalist class.

Here we must invite the *Englishman*, to step into the discussion. After admitting, in other words, what we have just said as to the certain disappearance of a large portion of the present price in case of the State withdrawing its hand, our contemporary remarks: "On the other hand it is by no means certain that the total profit on all the opium exported would be very much less than under the monopoly, for a very much larger quantity would be exported by the Bengal Presidency, and consumed by the Chinese at the lower rate." Here the writer has overlooked the want of accord in the terms of his own proposition: "All the opium exported" (under a free trade system) is quite a different factor from that which would be "exported by the Bengal Presidency." The peculiarly artificial conditions of our present opium cultivation seems to be forgotten by our friends in the east. Purely for fiscal reasons, the growth of the white poppy is forbidden throughout India, save in Bengal and certain districts of the N.W. Provinces. It is true that Bengal possesses certain specialities in soil and climate, which, under any circumstance, would give her opium-producers a great advantage over their competitors in other parts of India; but this consideration suggests two questions—first, do not the producers and the merchants of Bengal, under the present system of regulated purchase by Government, reap a large part of those natural advantages? Second, would not competition, even within Bengal itself, tend to assimilate the rate of profit on poppy and opium to that which now accrues in the cultivation of indigo and other products? But when we come to consider what under an open system would be comprised in the terms "all the opium exported," it becomes apparent how greater the mistake in the estimate that "the total profit" gained by Bengal would bear any appreciable relation to the £6,000,000 now collected by the State—*after*, be it remembered, all the ordinary expenses of cultivation and manufacture have been satisfied. . . . . .

Having spent quite enough attention on the fallacy that the opium revenue "is in effect a deduction from what would otherwise be paid to the [Bengal] producer and merchants," we must turn for a moment to the purely fiscal and economic aspect of the question on this subject. . . . . .

If the cultivation were to be thrown open, it is probable there would be much inferior opium produced in India; but, from all we can judge, amidst the score of reports issued on this subject, it is tolerably certain that the Indian drug, as a whole, would still maintain a distinct supremacy over the Persian, Turkish, or native Chinese competitor. We have supposed all this had been plain enough and admitted by everybody; but when a Calcutta journal of standing writes that an export duty on opium "would obviously be on the same footing as a duty on Bombay cotton," it is time to revert to the first principles of the matter. Were a duty put on Bombay cotton, the effect on the total supply received at Liverpool would be very slight. The consumers of cotton cloth would get all they desired; but the producers of cotton in the Bombay Presidency would get just so much less than the market price for their staple as would be represented by the duty laid on here at the place of export. No dealer would buy it from them without first reckoning the fixed charge of the export duty. In the case of opium, on the contrary, the producer obtains, at least, and probably more than an average agricultural profit, before the monopoly price comes into consideration; and the *Englishman* quite mistakes in saying that "the Chinese pay the market price for their opium." If we take the term "market price" to mean, natural cost of production under competition, including all proper profits and charges, then it must be said that the Chinese pay three or four times its market price. And this they do because the Indian Government has for fiscal purposes, arranged to restrict and monopolise its production.

Thus we are brought to the consideration of the opium revenue under the head of inter-provincial finance, and if our Bengal friends are about to set up sectional claims, we shall have to push them hard. What right have the dwellers in Bengal to claim more than their *pro rata* share in revenues created by special arrangements in order to supply the general purposes of the State? Are the denizens of the Punjab to claim a special interest in the proceeds of the Salt Range when the branch railway shall have been made? Is the Supreme Government to place in its own treasury exclusively the profits that are to be derived from working the Sambur Lake? Or is Madras to be denied any share in the pass duty on Malwa opium now collected at the Bombay Custom House? To recapitulate: We think it has been

shown—first, that if the opium revenue can at all be spoken of as "indirect taxation" it must be only to a small fractional amount and in a very strained and secondary sense; second, that the State profit realised in Bengal from opium is the rightful appanage of all who are subject to the Governor-General of India. It may be added that it is highly probable that the Bombay Press "will persist" in maintaining these views, inasmuch as they are consistent with the established principles of economic science and fiscal ethics.—*April* 14, 1873.

MOFUSSIL MONEY-LENDERS:

Is Their Wealth Increasing?

WHAT is the present financial condition of the money-lending class, more particularly the Banian, or as they phrase it in Bengal, Bunnia caste, is a very interesting and pertinent question of the day. Some time back in adverting to this subject we took occasion to remark, incidentally and in interrogative form, to the effect, that as rates of interest in the mofussil had not declined, therefore the coffers of the Bania can scarcely be in that overflowingly prosperous condition in which many writers represent them to be. . .*

But under the British Government there is, perhaps, no other class which feels more distinct a sense of security than this shrewd and ever calculating community. According to our observation and inquiries we find that the Bania scarcely fails to turn every rupee he has to account. We find this to be a matter of every-day experience in our own Presidency, and we have no reason to think that the case is much otherwise in any other part of India subject to British rule. Hence, in spite of the trade unionism which he cherishes, if the Bania had more or increasing funds at his disposal, or if there were many more money-lenders than are actually met with, rates of interest would obviously be on the decline. Such, however, is not the case so far as we can learn.

We are next told that the foreign trade of India has of late made most enormous strides, that this large increase has added proportionately to the business of the mofussil money-lender, since it is through the agency of the Bania that the produce from the interior is brought to the ports to be purchased and shipped by the European merchant; and, further, that "this increasing business, unattended by any such increase of competition as would occur in a country where no caste restrictions hampered trade, undoubtedly means a large increase of profit." This statement of the case might have had some truth in it ten or fifteen years ago, when the interior of the country was not open to European enterprise; but it hardly holds now, or at least must be taken with very large exception. To support this view, we would point to facts connected with our own Presidency. Very great changes have come over the country in this respect during the last ten years. Communication by rail and telegraph with the extreme points in the mofussil having become easy, the European merchant has been brought face to face with the producer. . . . . .

Bearing these facts in mind it is incorrect to say that the increase in the export business of the country has added, or is adding much to the wealth of the Bania and the Soukar class. It is also a mistake to suppose that this buying for export and selling of imports are transacted mainly through the agency of that class, or that competition has not broken down its monoply. Of course we speak chiefly for Western and Central India—the position of affairs may be different in zemindar-ridden Bengal. We are far from saying that the money-lenders are not a well-to-do class, as compared with many others. It has, we quite admit, profited more by our rule than any other section of our native fellow subjects, being a shrewd, active, and intelligent, though generally illiterate class. It is true enough that under the previous Government, the Bania, of all others, was the person most likely to be drawn upon by the all-powerful Sirkar, when in need of money; but connected with this, it must also be remembered that the Bania had unusual opportunities of profiting himself under native rule by the monopolies he enjoyed. Any pressure put upon him by the Sirkar in an emergency was more than compensated for by the extraordinary powers given him to recoup himself by exacting double the amount from the territory or territories of which he farmed the revenues. . . . On the other hand if there be indirect but ever constant causes at work, tending to reduce the profits of all classes of the community, then the money-lender, with all his craft and caution, will find it impossible to raise his rates or

* See pp. 387-8.

increase his store. That some such retarding influences are at work amongst all classes checking that accumulation of capital and growth of prosperity, which peace and good government ought to secure, is plainly seen by close observers; and this state of things presents a perplexing problem, the solution of which is but in a very small degree helped by the hypothesis of the ever-absorbing Bania.—*May* 13, 1873.

EXPENDITURE PRESENTED IN DETAIL.

THE annual yellow-book is issued late this year, but except in colour and title page all is changed. It is, as of old, inscribed in front and back as containing the "Finance and Revenue Accounts of the Government of India for the year 1871-2, and estimate of Revenue, Expenditure, and Cash Balances" for the current year compared with the actuals of 1871-2. Thus, so far as externals go, the *amour propre* of the jog trot Financial Department betrays no sign of the severe shock it has received, which has resulted to the public in an almost entire transformation of the statements now presented. The accounts rendered are nominally the same as before. The book, though feeling much more bulky, only contains 42 pages more than its predecessors; but everything is presented in far greater detail than before, and the arrangement is more concise and homogeneous. Altogether, an effort has been made to present an intelligible and instructive statement of the national expenditure and income, which effort, having been to a large extent successful, deserves commendation. Whether this substantial aid to the power of public opinion over the public purse is to be attributed to the reflex influence of the Finance Committee, or to Lord Northbrook's internal force acting from within, or to both of these forces, journalists and the public must be equally grateful for the improvement. Have we not all at one time or other found ourselves worked up into a desperate mood because of the impossibility of discovering how and where the money has gone under the Public Works, the Military, or other big lumps of expenditure. But now this communicative yellow book tells us that up to the close of 1871-72, £207,319 had been spent at Saugor towards "a new set of buildings for a regiment of European infantry" (no mention of sixteen lakhs of that being wasted); that at Mhow £98,897 had been spent towards a similar purpose; and £138,115 at the same station for a cavalry regiment. We are shown that at Allahabad (though nothing is said about the fall of the Gun Carriage factory), £279,310 has been expended on "a complete set of buildings (every item of outlay given) for a regiment of European infantry;" while at the same station £45,529 only has been required to accommodate a field battery of artillery; and the gas works for the cantonment have been put up for £10,010. We observe, too, that on recent works at the Kidderpore dockyard—an institution commonly supposed to be superannuated—£43,792 have been spent. Turning to what more directly interests ourselves, we learn that the "project for the Harbour Defences of Bombay had cost, last year, £504,791, of which £214,359 was caused by that lamentable blot on our fair harbour, the "Middle Ground Battery," where no battery is. We have the satisfaction of knowing that the Hydraulic Lift, up to the end of March last year, had cost £102,923 in Bombay, £200,000 having been previously paid in England.

But we must not go into details, though it is greatly by reason of them that the yellow book has now attained new value. . . . It is true these statements are anything but prompt in appearing. The "actuals"—if such they really are—are fourteen months after date, and the outlay recorded is all gone and done for. The estimates, too, are of little practical service towards affording means of control on behalf of the public. We are already well advanced in the year to which they relate; and, then, are not all these grants fixed by his Excellency the Viceroy in Council after hard-won agreements with the minor administrations? Still, it is only during the last few years that the Indian taxpayers have been able to know how their money has been spent. The incentive of the income-tax is withdrawn. We are to hear no more of "the ignorant impatience of taxation;" but there is, we trust, sufficient public spirit left amongst those into whose hands this yellow book will come to make them intelligent and persistent critics of our imperial expenditure.

This criticism will always be most profitably directed against the great spending departments. Those institutions should be constantly called upon to justify themselves; and at last we have distinct and detailed information which will allow of this great public

service being performed. Army charges, of course by far the largest of all, are shown, as we previously know from the Budget statement, at £12,036,098 in India and £2,704.830 at home, being a total of close upon £15,000,000 sterling. But over and above this, there is that big item "military buildings," hitherto hidden from the public under the general aggregate of Public Works. In this book—though the compilers have contrived to avoid giving the total—we are shown every item of outlay on or in connexion with military buildings in every province and important station throughout India. The expenditure under this head in 1871-2 in the Bombay Presidency was £165,868. This included items on the harbour defences of Bombay, and £35,300 on the Hog Island Lift; nearly all the rest was for barracks and other accommodation for troops. The "total outlay on each work to end of 1871-2" is given all through this table; but, as we here said, strange to say, no total is given. We have taken the trouble to cast it up for the Punjab, and find that these military buildings, by far the larger portion being "palatial barracks" constructed within the last four or five years, have cost close on £1,000,000 sterling, that is £999,151. The elaboration with which these works have been carried out—the wash-houses, cook-houses, sergeants' quarters, workshops, and so forth—proves that amazing solicitude has been felt for the safety and comfort of our British troops. . . . The long array of expenditure on "Agricultural Works" (in common parlance, irrigation projects) would be wholly gratifying could one feel certain that the great majority of the constructions are sound and durable, and if the actual returns more nearly approximated to the estimates of profit. However, let us hope that in this great field of State outlay our Public Works Department is gradually acquiring experience which may eventually prove the means of checking the impoverishment which prevails in our arid districts, and reinvigorating the industrial powers of the land.

We have referred to the intelligent principle which is manifest in the re-arrangement of these tables and the wiser plan on which some of them proceed. The question of inter-provincial finance, to which we have so often urged attention, has begun to open up before the Financial Department itself. Instead of the old plan of simple addition and division, the rule of thumb by which all the monies collected in each province were presented as the revenue raised from the people of that province, we have in Table VI. a statement which fairly approximates—though after the exclusion of three large sources of revenue—to a true picture of the relative contribution of the several divisions of India. This exhibits Bengal with all its teeming fertility, contributing £22.44 per square mile, against Bombay—with its arid Deccan and desert Sind—yielding £22.53; while, reckoning per head of population, Bengal appears as contributing £.08 and Bombay £.26—or more than three times the amount. We do not overlook that the new and correct figure of the Bengal population is used for computation, whilst Bombay stands at the old figure—which probably requires to be augmented one-twelfth. This, however, would only bring down the twenty-six to twenty-four. But we cannot enter on any such calculations until Dr. Lumsdaine shall have drummed our census returns out of the collectors.—*May* 21, 1873.

AN IMPERIAL DIFFICULTY:

The Drain of Revenue.

TO obviate the chance of misapprehension that might arise out of the remarks we propose to make on a certain vexed question, we may as well at once disavow sympathy with the ultimate desire or expectation cherished by that ardent junior Civilian, the Positive philosopher—late of Pooree. Mr. Geddes, we believe, looks forward to the time when, from a variety of causes—all of them but various methods of exhausting the golden goose—the British nation shall relinquish its hold on India and leave its population to the unfettered and untaxed efforts of their own hands and heads. We have no such anticipations. Believing that the superior energy of our Northern race—an energy moral as well as physical—is indispensable to the peace and prosperity of India, we think that a large majority of the well-informed amongst the people of India will always be found to give effective support to British rule. And if our own countrymen can only be induced to forego a little of the conqueror's sentiment and become somewhat more amenable to conciliatory influences in political and service matters, we see no reason why

the connexion should not continue, and with ever-increasing mutual benefit—to adopt the phrase of the treaties—as long as sun and moon shall endure.

It will be one sign that this reasonable disposition is being attained when English journalists can accept without irritation the plain truth and manifest matter of fact, that, by reason of alien rule, India must perforce pay away annually a certain portion of her industrial revenues, her accumulation of floating capital being thereby sensibly checked. When instead of adopting the tactics of the ostrich, instead of trying to pick holes in the customs returns and running through international trade statistics to find some country, which by reason of its temporarily anomalous position exhibits some similarity to the condition of India in this respect, we find our public men quite willing to face the fact of this outflow of wealth without *material* recompense, something may then be done towards checking or compensating for that outflow. We have underlined the word "material" for herein lies the centre and pith of the question. If everyone who dislikes to confess that the effect of the political connexion between the two countries is to make India yield something like a tribute to England, allows himself to run off into side issues about the moral and political recompense which India obtains from that connexion, there would be no end to the controversy. It is the simple fact that requires first to be admitted; and, plain as that is, the disinclination to look at it still requires to be conciliated. . . . . .

Let anyone accustomed to trace the productive and reproductive operations of capital, consider what is the loss this impecunious country suffers by due withdrawal of that vital element. And, now, as to the way in which this unrequited withdrawal works. We have an illustration and analogy provided ready to our hand, and by no less an authority than our local contemporary. Moreover, this will, perhaps, be more readily accepted than some comparisons relating to this subject which we have, at times, drawn from the circumstances of France and other European countries, seeing that it relates to an Indian district—it is an exact parallel of the less within the greater. The passage occurs in course of an article in which the writer is remonstrating against the undue pressure of some recent land settlements in the Deccan; and in order to bring his arguments home to the authorities he thus presses on their attention the stern matter of fact:—

> We would ask the Bombay Government to remember that whatever name they may give to the land revenue, it is so much capital drawn yearly out of the district which pays it, of which a large portion would otherwise, very probably, be invested in a reproductive manner in the district itself. The larger the amount taken the dearer—by all the laws that govern any commodity, be it money or what you will—must money become; and as ryots who are involved and, in bad years, those that are not, are forced to go to the soukar for their land-tax, the more you take from each individual the quicker must he become involved in debt, the less likely is he to get out of it.

Now here is an almost exact analogy to the imperial difficulty we are considering. In the words of the writer—"Whatever name we give to the (excess payments of India to England) it is so much capital drawn yearly out of the (country) that pays it, of which a large portion would otherwise very probably (in the case of India, most *certainly*) be invested in a reproductive manner in the (country) itself." Here is all our case; and, when the writer goes on very properly to refer to the effects produced on prices and indebtedness by the withdrawal of money and money's value, he only delineates with strict fidelity the depressing and impoverishing influence of this continous depletion which is proceeding on a gigantic scale. Now if any critic were to say to this writer—"You don't know exactly how much is drawn to the Government Treasury from the Sholapore District; then you must not forget that the Bombay Government maintains order in the Deccan, and without its police and troops the ryots might not be able to reap their harvests." Would not the writer we have quoted from the *Gazette* be quite justified in turning away from his critic with the remark—"Yes, I know all about that; you must be either stupid or a trifler, for those considerations do not alter the fact which I stated—namely, that the district is so much the poorer for the rupees taken out of it, unless you replace them with other money or commodities." So desirable is it that the details of this subject should be understood that we would advise reference here once more to the late Professor Green's writings now more than twenty years old. He wrote soon after the first settlements of Goldsmid, Wingate and Davidson, and many of his warnings appear almost prophetic. . . . . .*

* *Bombay Quarterly Review*, about 1854.

We need not stay here to trace out the effects of expenditure in a distant country of revenue raised in another and much less civilised one. Sir George Wingate did this at a later period;* but the train of investigation might be followed with advantage, it being one that goes far to explain many of the commercial and monetary anomalies around us, that perplex the merchant and cause the conscientious administrator many anxious thoughts.

An Analogy and Confirmation.

In conclusion, we must revert one moment to the "evidence" of the Bombay witness who tried to persuade the Select Committee that the case of America with its excess of exports over imports at the rate of £21,000,000 per annum from 1866 to 1871, was analagous to that of India. He must, we think, have caught the Committee napping; for it is due to the frankness of the witness himself that the one differentiating circumstance in the case of America was noticed at all. He said that "it might be that the United States have been reducing their debt in the same period" but left it to the Committee to guess by how much. Precisely; America has been paying off her national debt, and that, too, at a rate never witnessed in the world's history before. In the work quoted from by the witness it is mentioned that from March 1869 to July 1872, that is in little more than half the period of excess exports quoted, the reduction in the public debt amounted to £66,795,380; and, as the witness seemed to be well aware, a very large proportion of the whole debt is held in Europe. It is worthy of note, too, that from another table in the same work we perceive that the capital of the debt was reduced from £579,880,390 in 1866 to £450,650,265 in 1872, a difference of £129,230,000 or nearly the same amount as that by which the exports exceeded the imports in the six years' returns cited before the Committee. Thus the payments to creditors are represented in these excess exports, which, though similar to the circumstances of India, are quite an anomaly in the commercial history of free states. There are several interesting and instructive analogies and contrasts that arise out of the comparison between the financial position of America and British India but we cannot enter into these at present.—*May* 22, 1873.

A REVIEWER REVIEWED:

And a Gap of Eighteen Millions.

THE *Saturday Review* of the 26th April last reviews Mr. R. H. Elliot's book "Concerning John's Indian Affairs." We care not to enter here on the reviewer's opinions regarding Mr. Elliot's economic ideas, but cannot allow to pass unnoticed certain ignorance of fact displayed by the critic himself. . . . . .

It is not our purpose to "again slay the slain," but the reviewer's remark as to "Indian financiers displaying the negative merit of leaving things alone," will be peculiarly pleasing, if not surprising to the Honourable Sir Richard Temple. It is also surprising that in a paper of the high standing of the *Saturday Review* such an unblushing mis-statement should be permitted. Wonder almost ceases at the apparent ignorance on Indian affairs in—otherwise well-informed—home circles when their promptings are gleaned from such misrepresentation. The mischief done by them is incalculable, and it is in the greater ratio with the character or standing of the authority which disseminates the statements.

On the other hand, we must thank the *Review* for the apt phrase "curious misconception," which we apply to its own daring but cunning assertion that the income-tax was "*paid* by only an infinitesimally small portion of the community." This is a mere echo of the Finance Minister's grim joke about "only thirteen petitions," and Mr. Grant Duff's subsequent clap-trap in the House. But the cunning and gross misrepresentation lies in that word "paid." Its use implies that homage to truth which is of a very sinister sort; while it is an audacious evasion of the strongest practical arguments against the levy of any income-tax with a low range—namely, that such an impost becomes the excuse for extortion and pressure on thousands who never pay the tax at all. The topic is now happily out of date; but, thanks to the impertinent misrepresentations of the *Review*, we have forced on

* *Bombay Quarterly Review*, April 1857; also "A Few Words on our Financial Relations with India." London: Richardson Brothers; 1859.

us the bitter remembrance that Indian trained administrators were found who could justify the levy as a tax on the well-to-do, when there was abundant opportunity for them to know that it was a grievous harrass and oppression on all but the mere labouring classes; and, then, one may well take the dogmatic reviewer to task for use of that phrase, "the great bulk of that indigenous population." In its strict meaning, this term—as the smart London writer ought to know—would only include the Gonds, the Bheels, the Sonthals, and other hill tribes, and we are quite willing to make him a present of the admission that these jungle-wallas were not "affected by the tax;" but with the exception we have named—the labouring and menial classes—"the great bulk" of the Indian populations were grievously affected by that unpardonable levy of 1870-71.

In reference to another vexed question, the reviewer comes down heavily on Mr. Elliot's bones, and not without some reason. This is the *Review's* criticism :—

> A still more extraordinary blunder is contained in the statement (p. 191) that "India is suffering from an enormous annual depletion of cash to this country (variously estimated at from £12,000,000 to £16,000,000 a year)." Who may be the wiseacres who have framed these sagacious estimates we know not, but without crediting Mr. Elliot with any great depth of information on the subject, he ought, at least, to have known that the fact is precisely the reverse, and that it is Europe, and not India, which undergoes "the enormous depletion of cash" to pay for the large excess of exports over imports in the trade of the latter. Whether that is a good thing for India is another matter, but a person who professes to enlighten the English public about that country should at least have mastered this elementary fact.

Mr. Elliot is a slapdash writer, but one can scarcely understand how he came to make such a gratuitous blunder as to use the word "cash." Besides, the figures of excess of exports are somewhat too high as an average. However, he has got his reward from the *Saturday Review*, so we are now free to remark that the reviewer, in his eagerness to correct Mr. Elliot's mistake has gone far to expose what looks, on his part, very like his own ignorance of "an elementary fact." We have a right to hold the keen reviewer to the strict interpretation of his words; and when he speaks of Europe sending enormous amounts of cash "to pay for the large excess of exports over imports" in the foreign trade of British India, we are bound to suppose he means that the said cash is *sufficient* to pay for the large excess of exports. But if the reviewer does believe so, he is much further out than the impetuous Mr. Elliot whom he rebukes. He knows that according to the normal trade relations between foreign countries, that this is the usual course of things; but if the reviewer is not aware that the *total* exports of British India very largely exceeds its imports, then we must admonish him in his own words, to wit—"a person who proposes to enlighten the English public about India should, at least, have mastered this elementary fact." In order that the reviewer may be without excuse in future, we present him with a striking illustration of "this elementary fact," as drawn from the Trade and Navigation Returns for the twelve months ending March 31st, that is, the complete financial year of 1872-73, which comes to hand as we write. These are the figures which we commend to the notice of the *Saturday Review* and all home writers "who profess to enlighten the English public about this country" :—

FOREIGN TRADE OF BRITISH INDIA

For the Twelve Months ending March 31, 1873.

Total Exports of Indian Produce	Rs.53,44,15,849
" " Treasure	1,29,80,790
Total Exports	54,73,96,639
Total Imports of Merchandise	31,26,05,751
" " Treasure	4,55,65,850
Total Imports	35,81,71,601
Deficit for which India receives no *material* return	£18,922,503

We must confess that—making all possible allowance for the fringe of excess, caused by over-valuation of exports, which there may be in this nearly 19,000,000 sterling of price paid for peace, security, and foreign rule—this figure is appalling. Still more appalling is it that "this elementary fact" is not only not known to the picked writers on the London Press, but it is not known, or, if known in a loose way, is not realised or appreciated

by any considerable politician in either of the great parties of the State. The awakening will come some day. We have done our part to arrange that it shall come naturally and gradually rather than in some crisis of difficulty. When some leading man belonging to the ruling classes shall have his eyes opened to "this elementary fact" in the financial relations between England and India, and when his authoritative utterance shall convince the host of second-rate men, there will be great consternation in the old island for the space of a few weeks. The Whig-Radicals, and Philistinian politicians of sorts, who "cannot see what good India is to England," will exclaim impatiently—"We have no business there, cut her adrift." But wiser second thoughts will prevail. It will be found, on due investigation, that not only does England derive many millions of trade profit which she would not receive were India left to herself or held by some other Western power, but that the care of India and the sense of power and responsibility derived from England's hold over her are, in a political and moral sense, of inestimable value. Then it will be seen that India can be retained on terms mutually advantageous to both. It only requires that simple justice be done by England taking on her own Treasury and taxpayers a fair share of the cost of maintaining the connexion between the two countries. This would have to be a substantial contribution. It should include a considerable portion of the normal Home Charges (except interest), and not the mere paltry contribution of cost of the subordinate India Office establishment, as suggested by some feeble critic of ours on this question the other day.

We are speaking of the future, but it is becoming painfully evident that there is no time to be lost in arranging for some such financial adjustment. We may criticise recent land assessments as somewhat too high, and the champion of rack-rents for the Sirkar may taunt us, with some show of reason, in asking if an extra twelve annas or rupee per acre can make so very much difference to the ryot? And, within measure, it may be admitted that if the cultivator cannot pay the new assessments, neither could he do much more than live under the old rates. Why is this? The full reply to this query would have to deal with currency and population questions, with the history of prices, and the influence of modern customs and communications; but, beyond or below all these, there comes over one the creeping fear that the bottom is dropping out of our financial and industrial frame work. Have these £18,000,000 (commercial) deficits anything to do with that?—*June* 4, 1873.

GEORGE KELLNER ON MILITARY ACCOUNTS.*

IN the last two portions of the Report presented in our issues of May 24 and 31, the material there furnished, chiefly the evidence of Mr. G. W. Kellner, is of a nature which almost precludes criticism; it only remains to sift out its results. Here the Committee have, at last, a witness competent, fully furnished, dispassionate; but also one who can hold his own without needless assertion, like that displayed, for instance, by Mr. Goodliffe, the Accountant expert, formerly of the India Office. With the Accountant-

* Some passing notice is due of this remarkable man who died in 1886, soon after he had been appointed Paymaster-General of the Supreme Court of Justice. Being in Calcutta when a lad, he started life by obtaining a small clerkship in one of the Government offices there; gradually his talent for dealing with figures made itself known; he then rapidly rose, until the heads of departments found him indispensable. His patience and indomitable perseverance enabled him to unravel the most muddled accounts that could be presented; and as his services came into wider demand, he was equally successful in dealing with the large finance. In 1865 he was deputed by Sir John Lawrence's Council to revise the financial arrangements of the guaranteed Indian railways at Calcutta, Bombay, and Madras. He afterwards rose to be Controller-General of Military Accounts—a position never before occupied by an "uncovenanted" man. On his retirement from the Indian Service about 1879, he was deputed to examine the financial condition of Cyprus. His report on that subject was highly appreciated by Lord Beaconsfield, who thanked Mr. Kellner most heartily for the service done; and it was mainly to this that he earned the decoration of K.C.M.G. He was also deputed to examine the system of Army accounts in France; and he also went on some similar errand to Berlin. Later on he was sent, we believe, by the Board of Trade to Canada and the United States to compare the system of railway accounts there with ours. Subsequentlly he visited our West India Colonies, mainly on a voyage of recreation; but having examined the system of accounts in the principal islands, he made a report thereon, which met with Mr. Gladstone's high approbation; who, in a highly eulogistic letter, offered him the onerous and distinguished post of custodian of the finances of the Supreme Court—which, as already mentioned, he did not live long to occupy. Few men have had more searching, and sometimes invidious duties to perform than George Kellner; but fewer still have been more generally liked and respected.

General of the Military Department before them, and who has a good second in Colonel Allen Johnson, the committee appear to have turned fairly to work. The questions put have been relevant and consecutive, except now and then when interrupted by the not unnatural impatience and irritability of some members, who found the details of the subject far too complicated for them to take in at one sitting. But Mr. Kellner, though full of detail and conversant with the history and by-ways of all the accounts, makes no parade of his knowledge. After some exigeant demand by Mr. Fawcett, he merely replies: "There are changes every year—increase and decrease—and to follow all these changes would involve a very large amount of calculation." To which rejoins the impetuous member for Brighton—"Then I submit that, unless these can be followed out there is no use putting any questions," with a little more to similar effect. Whereupon, instead of giving, as Colonel Allen Johnson would be inclined to do, the smart answer that stirreth up strife, Mr. Kellner quietly remarks that he did not know such details would be required, but he can produce even those minor items at the next meeting of the Committee. This appeared to have a good effect on Mr. Fawcett, who explained that he really did not want to know all the various ups and downs of the accounts, but only or chiefly whether the total outlay on any particular head of charge has increased; also how, when, and by whom.

This incident occurred during the investigation of by far the most important branch of current charge—that of military expenditure. This was taken up partly from the standpoint adopted by General Sir George Balfour when he tripped up Sir R. Temple's statement in last year's Budget, where the Finance Minister boasted that the military charges in India were then less than in any year since the Mutiny. The gallant General admitted the figures, but disputed the inference; and then went to show that, taking into account the lower number of forces now as compared with ten years ago, the assertion was misleading. Sir George pushed his argument home, and made the Finance Minister's sham economy look like a very poor farce; but he also rather overdid his own part, misrepresenting what a greater man than either, Sir Henry Durand, had said on the subject, and altogether the ground was left somewhat encumbered. This the examination of Mr. Kellner tends to clear up. . . . . .

We find that in the year when the Dalhousie policy had contributed its last brand for the great conflagration, the European troops in this country were 44,522, and Native forces, 334,079. Here we may call to mind—though the two co-ordinate facts are not brought into juxtaposition in the evidence—that the total army expenditure of that year, both in India and England, was only £13,227,879. With this we have to compare the numbers in April 1872, of European troops, 60,987, and Native forces, 115,355, that is 176,342 in all; the total outlay for which we make out to be about £15,000,000, allowing for the refunds. . .

This brings the cost per man to £38 10s., £46, and £37 10s., in 1856, 1869 and 1872 respectively. This is one of the few statements of Mr. Kellner's that we think requires testing; and we do not quite see whether these statements of cost include sick allowances and furlough pay. There is a crowd of details relating to different scales of army organisation which we must leave to military critics; only in doing so, we must express an earnest hope that they will not leave it alone. In the same day's examination we have now been noticing, occurs that amusing passage in which Mr. Fawcett rather testily expresses his opinion that the extra cost of the Governor of Bombay's band is a typical development of the startling proposition, evolved in great measure from the member for Brighton's moral consciousness—to wit, that "everything in Bombay is extravagant, and costs 2½ times more than it does in Madras."—*June* 1873.

RELIEF FOR THE INDIAN FINANCES:

Buying-out the Surplus Colonels.

AT last the superincumbent rolling stone of Sysiphus begins to feel lighter, and the hope arises that, after all, we may not be fated ever to strive at a fruitless task. In other words, our great namesake of Printing House Square has taken up that portentous question of accumulating Colonels' allowances, the financial peril caused by which we have so frequently dwelt upon during the last four or five years. In the file of the *Times* brought last week was the so-called "communicated" article, of which mention had been made by telegram. The subject was tolerably well opened up in that contribution: but it seemed to be written with a desire to make the most of the steps taken—all too tardily by the Govern-

ment of India in 1868—and with too palpable an effort to puff the surviving member of that Government, whose name was associated with the particular retirement scheme preferred for acceptance of the India Office. . . . General Hannyngton's letter, now before us, comprises little more than an abstract of the Government of India's proposals—which proceeded on the offer of a bonus and also increased pension—together with a reiteration of the gallant actuary's belief in his own heavy bills of mortality, under cover of the heavy shotted figures of which the Secretary of State said of the coming Colonels: "Don't buy them off; they will die off in good time."

This, as we have just remarked, was only the opinion of one actuary; and since the date when the General's very liberal death-rate was accepted with so much avidity by the India Office, a good deal of light has been thrown on the interesting speculative subject of old Indians' longevity. Apart from all disputatious calculations, we all know what remarkable vitality characterises men living in expectation of a reversion at a fixed rate of £1,100 a year; and also how, when they enter on that comfortable annuity, their youth is renewed and they take a new lease of life. All this is a matter of settled observation. It is not so generally known that the actuaries—those stern secretaries of old Father Time—have recently been compelled to admit, by the evidence of mortuary statistics, that the lives of Anglo-Indians who have attained 44 years are "better" than those of any other class at the same age in the British community. We believe this applies, with certain obvious exceptions, to those who remain a few years longer in this country, as well as to those about that age who retire to the West. And as the only way in which the Secretary of State's sham retirement scheme of August last is likely to operate at all, will be to tempt a number of field officers who have attained that testing age of 44 to dwell at home—their chances will be somewhat increased of living on to snap their fingers at General Hannyngton's deathly statistics, and to draw their £1,100 per annum for the rest of this century.

The India Office actuary pits his own estimate of 629 Colonels surviving in 1891 against the late Controller-General's calculation of 982; but he admits that the former number represents a very serious burden on the Indian finances. And, in truth, a still more moderate and, therefore, under-estimate of survivors gives results which long since ought to have appalled—we will not say the Secretary-ridden Military Committee of the India Office, but the members of our own Supreme Government. . . . . .

Let us turn to another branch of this controversy, which, at last, as hope of success breaks in, begins to be interesting. In our article of July 1st, just four years ago, and before the point had been hit elsewhere, we drew attention to a big blot in General Hannyngton's calculations, at which the *Times* only now glances slightly and still fails to see its significance. We refer to the circumstance that the gallant actuary had omitted to credit the retirement scheme with the amount, from cessation of Indian pay, which would at once accrue on the retirements of those officers who accepted the terms. That omission was afterwards pointed out in the Broome-Norman rejoinder; and though the India Office actuary cannot ignore it in his present letter, he really gives the subject the go-by. He merely cites a very foggy passage in his own report, in which he remarks "It would be vain to frame an estimate of possible saving from this source"—*i.e.*, if Indian pay ceased—a meaningless expression on which we severely commented at the time. In our examination of the question we were in no way bound by the Government of India's particular proposals; but, by inserting in the actuary's statement the adjustment of Indian pay saved, we brought out, as General Broome did, a balance of £500,000 in favour of the Indian Government's scheme, instead of its being debited with £500,000 loss. To one opinion expressed by General Hannyngton we are inclined to give adhesion: that is, when he says "Any measure (for promoting large retirements) not operating continuously would be unsuccessful." Of course the first object is to attain an immediate certainty of future relief; but we admit that it would not be well to invite a wholesale stampede. Let the whole depletion be spread over three or four years. This effectual, but not hasty movement would be best secured by the method we have proposed—namely, that, after Government has ascertained, by independent and well checked actuarial calculation, the value of each field officer's reversionary claims, let a large number, say 200 in all India, be asked to say what they will take in lieu of all claims. On the reply being given, the Executive would decide whether to accept or not; and in doing so, the authorities would be guided, not alone by the pecuniary aspect of the bargain, but partly by the estimate entertained of the bidder's present and prospective personal value. . . . . .

Anyhow a better spirit is now creeping over the slow mind of Westminster officialism;

and we now quote with heart-felt pleasure and a sense of long deferred relief, the concluding sentence from the *Times'* article of May 27th: "That matters should be suffered to remain as they are until all the prospective claims to Colonels' allowances have arrived unchecked at maturity, seems to be the one course the pursuit of which is inconceivable; and, notwithstanding the calculations of General Hannyngton and the despatch of the Duke of Argyll, we trust that the whole question will shortly be reconsidered with the care which its importance merits."—*June* 20, '1873.

THE DECISION STILL DEFERRED SIX MONTHS LATER.

II.—Though our correspondent at Agra finds so much to tell, he still declares that there is no news—that the members of the Indian Government are not so much unwilling to explain their policy regarding the current questions of the day, as they really have no policy to be explained. Other correspondents, private and public, strive to confirm the impression that the silence which reigns regarding internal Indian affairs is explained by this know-nothing but do-much mood of the Viceroy and his colleagues. So far as regards the task of grappling with the exigency which has arisen in Bengal, and that of wisely economising expenditure so as to secure spare funds for that purpose, no attitude of a British Indian Government could be more laudable. Still, as we know, there are various unsettled questions, on the issue of which much preventible outlay must be incurred or appreciable saving may be effected; therefore some curiosity to know how these matters stand in the minds of the strong silent men who sway the destinies of Ind is both natural and justifiable. It is not only in India that the oracles are dumb; but, if such a degree of comparison could be imagined—they are still more dumb at Westminster. We observe that the *Overland Mail* to hand at the moment of writing, remarks "the India Office is so tranquil—its members of Council and head and chief so mildly quiescent and submissive to the golden rule for incapables, 'let it alone'—that it is more than possible the fact that there is a Secretary of State for India and a well-paid Council may go clean out of mind." Now we usually consider that the three words quoted do form a golden rule for the conduct of most Indian affairs; but even fine gold requires a little alloy in order to fit it for the wear and tear of daily use. It is good that our rulers be neither fussy nor anxious overmuch; but grave peril arises ofttimes from allowing things—to drift. And, as the Indian taxpayer with dismay and anger will find out some day, they are now being allowed to drift into financial deficit caused by "non-effective charges"—charges which, as we have been pointing out for the last half-dozen years, might have been enormously, and yet may be appreciably reduced. There can be no merit in "letting alone" here; and to "let alone" a growing but manageable peril of this kind is truly the policy of "incapables." Who then is to blame?

We cannot consider Lord Northbrook and his colleagues "incapables;" so we must move westward in quest of these obstructives, and expect to find them in the neighbourhood of Westminster. Even there, we believe, these costly "let alone" men are in a minority; but they are powerful, and it is high time the Indian taxpayer knew who or what they are, and how they could be removed to some sphere where they can afflict India no more. . . . . .

It will be observed that the *Home News* avers the Secretary of State has "called for an actuarial valuation of the prospective right to Colonels' allowance, with a view to a new retiring scheme for the Indian Army." This, as our readers will remember, is the first step in the course that we have steadily pointed out, as the one which, while being fair to the officers because depending on voluntary acceptance by them, will afford the most natural and effectual method of relief to the State and the taxpayer. . . . . .

The "nominal £1 per day" refers to the sweet boon granted under that silly, ineffectual Order of August last year. The quotation in which that occurs brings into prominence the hardship inflicted on the officers by the ineffably stupid refusal of the authorities to commute their claims. We trust due weight will be given to the personal bearing of the question; but as an argument we have done with it. The prospective suffering of the Indian taxpayer and the impending strain on the Indian finances, are considerations that demand and will soon compel attention. We ask, where is this actuarial estimate—what is being done with it—and who are the obstructives responsible for its not being put to use? Again; was the telegram from the Viceroy, by which Mr. Grant Duff was enabled to defeat the Hon. Mr. Burke's motion, the spontaneous

act of Lord Northbrook? We do not believe it was. And if his Excellency were but a consenting party to the device, he thereby incurred a grave personal responsibility which he has as yet done nothing to vindicate. Minutes in secret Council are all very well—for historical purposes; but this question, of how Sir Charles Wood's acceptances are to be met, is a public one, and the public have been kept in the dark about it too long.* —*Nov.* 25, 1873.

THE DEBATE ON THE INDIAN BUDGET, 1873-74.

THE young men who drew up the telegram about the Indian Budget in Parliament, have contrived to wash out any special interest which the speeches of Mr. Grant Duff and Mr. Fawcett may be supposed to have contained. . . . Perhaps Mr. Grant Duff has been trying to say something smart, and considers that in promising to apply the Income-tax blister again whenever a financial exigency may arise, he has sufficiently proved the "elasticity" of his financial conscience, if not of the Indian taxpayer's capacity to pay. For the rest, it would appear that the Under Secretary has been vague as the telegram itself. Of what use are such platitudes "as looking hopefully towards the possibility of further military reduction," when not a word is said about—the Colonels' allowances or any intention to compromise them; the relief system; the Horse Guards and Admiralty pressure for patronage and free spending of Indian revenues? No; our Whig Secretary of State and Whig-Radical Under Secretary of State care for none of these things; but it was necessary to break the force of Mr. Fawcett's coming speech by optimist generalities of some kind. Again, is it not treating both the House of Commons and the Indian public like children, to talk about "the intention of Lord Northbrook to grapple with several questions of taxation," without giving some indication of the fiscal principle on which his Excellency is expected to proceed in course of this "grappling" business. . . . . .

But when Mr. Fawcett would "suppress local Presidencies" and map out all India into a rectangular pattern, like a chess-board, making the whole Peninsula subject to the central power of Calcutta or Simla—counsel exactly the reverse given with so much force and pertinence by Mr. Bright in 1853—we see how fatally crude are some of the member for Brighton's Indian politics. The sole recuperative policy which he is represented as advocating on this occasion, is the more extensive employment of the people of India in the administration of their own country. This, rightly understood, is a principle large enough for any one man to vindicate and work through. The longer we contemplate the anomalies and difficulties, and, also, the high possibilities of Indian government, the more we are convinced that our profitable and satisfactory rule in this country depends, in far greater proportion than has ever been admitted, on the cordial alliance of the people with us in the work of Government. Of course there are great difficulties in the way, some of which arise with the natives of India themselves. We can appreciate these difficulties infinitely better than can Mr. Fawcett or any stay-at-home politician; but those obstacles must be overcome, and that, too, ere many years roll by, if our rule in India is to become an assured, settled, and expanding success.—*August* 4, 1873.

Henry Fawcett and his Coadjutors.

II.—The report of the continued Grant-Duff-Fawcett debate on the condition of India question presents in many respects a more interesting, because more varied and discriminate series of opinions and statements regarding our state and prospects than those put before the House on the opening night. The speeches by the members for Elgin and Brighton on that occasion might be taken to represent, respectively, the optimist and pessimist

* The above extract serves to mark the final struggles of the India Office obstructive "experts" before yielding to the necessity—as demonstrated in former articles—of buying off or compromising the equitable claims of superfluous Indian colonels who had been prematurely forced into that "non-effective" position mainly by the supersession of the Company's Local European Army, and the so-called Amalgamation Scheme of which Sir Charles Wood, as Indian Secretary of the period, was ostensibly the author; hence the closing allusion. In course of 1874 the commutation plan was at last sanctioned, though, at first, in a grudging spirit. It was afterwards expanded more liberally, and in Sir William Muir's Budget for 1875-6 he thus remarked on it: "This important measure, which, besides adding to the efficiency of the Army, will be in itself a future financial advantage." But no financier took the trouble to cast up the amount of wholly wasted expenditure incurred during nearly ten years of the India Office's obstructive delay.

view of Indian finance. It is probable, indeed, plainly to be inferred from Mr. Fawcett's remarks in winding up the whole debate on the third night, that he would not like us to accept his great "denunciatory" oration as the final and complete description of British India, its ways and means, its prospects and possibilities. No doubt the member for Brighton could delineate the sunlight part of the picture if he chose. Here we find ourselves unconsciously adopting the rather happy remark made by Sir David Wedderburn in the debate, when he said, that though there was a wide difference of style in the limning of the artist from Elgin and the one from Brighton, yet the two pictures may be taken to represent a truthful whole. And we dare say Mr. Fawcett would bear with considerable equanimity the various admonitions against exaggeration that were handed to him during the the debate—not only in the fraternal and patronising manner of Mr. Ayrton, but by the appreciative member for King's Lynn, and in the slightly ruffled tone of Mr. Denison and Sir C. Wingfield. No public man who has a great cause at heart, who sets himself to awaken apathy and disturb official complacency can afford to "live in decencies for ever." And that was a manful remark of Sir George Balfour, when he said that though he objected to the amendment he should, if the House divided, go out with the minority if but "to mark his sense of the good service the honourable member for Brighton had done for India."

Yet it is refreshing to turn to these second and third nights of the debate when the voice of reflection was heard, and that strong good sense prevailed which is so characteristic of the House of Commons in its best work-day humour. Mr. McCullagh Torrens is reckoned as a somewhat extreme man, and has published a political work on India, in which some very strong things are said. But few speeches of the kind could be better than the concise and carefully considered address in which he made good use of his right of re-opening the debate. He made a very good point in reminding the House that "when India could not pay her way, England could never fall back under a plea of limited liability." He thus—in accepting the general opinion that, at present, India has no financial reserve—showed plainly that Indian finance is a British taxpayer's question. . . . . .

We are glad to see the yet new member for Aberdeen, Mr. Fairley Leith, appear in this debate. His remarks appear to have been generally in accord with the present constitution of Indian administration, and he thinks, as a set-off to exciting speeches, that the people of this country should be thoroughly informed of what English rule has done for them. But the eminent counsel also perceives "a fly in the ointment" even "the iniquitous operation of the Stamp Act as affecting the administration of justice in India." Although, from sheer hopelessness, we have of late said little about this abuse, it is one that only becomes more aggravated by retention, and we are glad to have the member for Aberdeen on our side in denouncing these impediments to justice. It was rather curious that Mr. Leith should be moved to defend the opium revenue; but this remark appears to have been the only one uttered in reply to the phillipic uttered on the previous evening by Sir Wilfred Lawson, against the "bloody and brutal" opium traffic. Our old acquaintance, the Gunnesh Khind ghost, once more appeared, and made a great figure towards the close of the debate when Mr. Fawcett again recited the thundering figures; and, then, being sorry to press unjustly on Sir Bartle Frere, intimated that Sir Seymour Fitzgerald should bear a part of the responsibility seeing that he had spent £20,000 for "furniture," making a total of £175,000 for the "country house" of a "local" Governor. The partial explanation of the excess over estimate which we gave a couple of months back, does not appear to have emerged yet at Westminster. . . . . .

We are inclined to think that the results of the income-tax comparison is near the the mark—namely, that England in proportion to population is fifty-six times richer than India. But leaving the statistician to settle these vast calculations, any wayfaring man can corroborate Mr. Fawcett's broad assertion that nine-tenths of the people of this country are so poor—or, to be safe, let us use the term impecunious—that the smallest addition to pecuniary taxation takes away something "from what to them is an absolute necessary of life." In concluding our present notice of these interesting debates we may recall the emphatic manner in which both the Civilian speakers raised the question—to use Mr. Denison's words—"Is it politic to close the avenues of employment in the public service so that a native of the country, however deserving, cannot rise beyond a position of inferiority to his European colleagues?" This is a question, the answer to which is not obscure.—

Sept. 1, 1873.

ENGLAND AND THE INDIAN DEBT:

Imperial Guarantee Required.

AMONGST the big financial questions between the British Chancellor of the Exchequer and the Indian Finance Minister which must come to the front within a very few years, is that of England guaranteeing the Indian debt. When fiscal and financial discussions have arisen, the Press of India has seemed to evade this subject, possibly from a feeling that it is hopeless to expect that so economical and equitable a measure can ever be passed; but we are not so sure of this. When the facts are fairly looked at, and when the public mind at home shall be so far educated up to the level of dealing with imperial Indian questions as to perceive the heavy pecuniary and financial obligation which, in equity, England owes to India, the case in favour of the British Government guaranteeing the Indian debt, will be seen to be irresistible. Much discussion, and perhaps the pinch of financial difficulty, may be needed before the right course is taken in this matter; but, when the time shall be ripe for it, the High Court of Parliament may be trusted to deal righteously between the British and the Indian taxpayer. Meantime, it is well to cite any illustration, though imperfect, of the effect that would be produced on Indian Government stocks by an imperial-guarantee being conferred on them. . . . . .

By the same mail which brings the prices of the 4 per cent. Canadian loan with an imperial guarantee, the quotations for Indian 4 per cent. stock are 101¾ to 102¼, or, say, 102. The Canadian loan has been contracted for at something over 103, but as will be seen some tenders were sent in as high as 106, a price which the stock will, doubtless, reach very speedily, as it is already touching 105 in the open market. But take the difference between the two—the Canadians taken to the motherly bosom of Britannia and the Indians left to the cold comfort of the Secretary of State—as only 2 per cent., what does that represent? Taking the total amount of Indian debt in 1872 (and this is omitting old East India Stock just approaching extinction) at £112,314,000, that 2 per cent. represents nearly £2,250,000 that might at once be lifted off the capital amount of our national debt and a continuous reduction of at least £1,000,000 in the total annual charge which for 1872 stood at £5,336,329; and this is leaving the £100,000,000 of railway debt out of question. We need not expatiate on the boon which would be conferred on India—the the mischievous custom's duties, or the fretting taxes repealed, the roads made, and tramways laid, the canals and reservoirs constructed—if but this act of imperial grace were accomplished; but we ask our readers to bear the thought in mind, and as occasion arises work towards this grand step in Indian financial progress. We are quite aware of the objections which will be urged against it in England—the hard selfish maxims against accepting liabilities other than those forced upon us; the growl of the ignorant, "What has India done for us?" the settled and accepted principle of "everything from India, nothing to her;" as well as the protest of dull, short-sighted prudence against so largely increasing the formal obligations of the central exchequer—but all these obstacles will give way before steady investigation and respectful persistent remonstrance. Statesmen like the present Earl of Derby, Mr. Bright, and others who could be named, have long since foreseen and discounted the acceptance of Indian obligations by the Imperial Exchequer; financiers and the large class of investors have long been accustomed to count upon that endorsement as a reversionary interest; and it only remains for the proposal to run the gauntlet of party politics and popular prejudice. . . . India, in all financial matters, is so accustomed to be regarded as the step-daughter of the Mother Country, ever stern to her; has become so inured to sustain the part of Cinderella in the Imperial household, that she can bear to wait a little longer. Yet, it must be confessed, time begins to press. She has so long had to bear alone the whole burden of maintaining the connexion between England and herself that it is high time someone intervened with effect. It is hopeless to expect this from a dependent like the Finance Minister; but suppose Lord Northbrook should work out this problem and declare at last that England should sustain her fair share of Anglo-Indian expenditure? Here is a fine opportunity in store for his lordship.—*Oct.* 23, 1873.

THE LEAKAGE OF INDIAN CAPITAL.

OUR reports of the closing days of the Finance Committee's sittings serve to bring out many points of deep importance to the material interests of India, which are well

worthy the attention of revenue men and other officers who occasionally bestow a thought on public affairs, other than those which come within their own routine. We do not now refer to the several interesting or portentous questions connected with the "progress" of our military expenditure and the extra cost of the modern army system, as brought out in the admirably stated testimony of Mr. W. G. Kellner and Colonel Allen Johnson. The attention that might have been accorded to their evidence has, for the present, been carried off by the report on the great Staff Corps and Bonus debate following the motion of the member for King's Lynn. We have already dealt with that, and there will be time enough to take up the different moot points which crop up in the evidence of the Military Controller. . . .

Just now we have in view, more particularly, some of those references to unsatisfactory circumstances in the condition of the people, and symptoms of a want of elasticity in the material resources of this country, which, if substantiated, claim the serious attention of every thoughtful man interested in the welfare of India, and desirous of perpetuating her connexion with England. As an instance of the vague, but always exaggerated notions that prevail as to the fabulous wealth of India, we may refer to the two or three queries interjected by Mr. R. N. Fowler, the banker. He said to Mr. Dadabhoy Nowrojee—"There is a great deal of wealth in a few hands (in India) is there not; there are a great number of very rich people?" Then, again, "There are a number of natives of enormous wealth—I am speaking of merchants in the large towns." To this Mr. Dadabhoy replied that he could not think of one man in Bombay—"where," he added "you, may, perhaps, expect to find the wealthiest men"—who is worth £1,000,000. In all Bombay, we may remark, the Income-tax assessor, a very careful officer, only returns (21) *twenty-one* persons as possessing an income of one lakh (£10,000) and upwards per annum; and only 572 persons with incomes under that sum and down to £1,000 a year. The witness went on to state, as his well-considered opinion, that the number of very rich men in India is diminishing. He also gave an affirmative reply to Mr. Lyttleton who, in a previous passage had put to him the query—"In fact you consider that the material prosperity and happiness of India is diminishing year by year?" In other parts of his examination the witness seemed disposed to exempt certain Native States from this general description of declension; but in doing so, this would only be consistent with his opinion as to the cause of diminishing wealth. In Native States very nearly the whole of the revenues, except what tribute they may pay to the Government of India, are retained and spent within the State themselves. In British India, on the contrary, certain proportion of the revenue is necessarily transferred to Europe, thus checking the accumulation of capital here; and this is the chief cause, as the witness considers, of the decline of wealth and scarcity of capital in this country. . . .

It is this general, underlying cause—this leakage—which, somehow, our ordinary State carpenters cannot get at, that baffles all our financial calculations, disconcerts our settlement officers, rendering their assessments thrice as heavy as the figures make appear, and loads with an intangible but very real force all our fiscal devices, be they never so cunningly arranged. But, though this overweight with which India is handicapped in the race of the nations, is not easily traceable in our revenue returns and statistics of taxation, it comes up with startling distinctness in the great commercial account between India and the rest of the world. Here it appears in the total sums taken from the Trade and Navigation Returns of the last three years:—

TWELVE MONTHS ENDING 31ST MARCH.

	1870-71.	1871-72.	1872-73.
Merchandise Imported	33,41,39,058	31,08,37,474	31,26,05,751
Treasure do.	5,44,48,231	11,57,38,129	4,55,65,850
Total Imports ...	Rs. 38,85,87,289	42,65,75,603	35,81,71,601
Indian Produce Exported ...	53,55,16,812	61,69,72,252	53,44,15,849
Treasure do. ...	2,22,07,646	1,47,60,925	1,29,80,790
Total Exports ...	Rs. 55,77,24,458	63,17,33,177	54,73,96,639
India's Commercial Deficit ...	£16,913,717	£20,515,757	£18,922,503
Total Foreign Trade of British India	£94,631,174	£105,830,878	£99,556,824

We need not here go into the particulars of these big items except to point out, in passing, that as some consider our present pecuniary difficulties are somewhat aggravated by a deficient currency, the proximate cause of that deficiency may be observed in the nett import, during last year, of only three and half millions of specie or bullion, as against ten millions in the year before. It is much to be regretted that the Committee deprived itself of the advantage of formally receiving the elaborate statistics and calculations which Mr. Dadabhoy Nowrojee had prepared, in order to bring out the history of prices in Western India during the present generation. These tables—with the exception, possibly, of some of the elaborate statistics zealously cultivated in recent years by revenue officers in the N.W. Provinces—are, we have some reason to believe, more thorough and discriminating than any other ever drawn up in connexion with Indian social questions. There will, however be ample opportunity for them to be published and circulated independently of the Committee.—*August* 28, 1873.

THE "SPECTATOR" AND OUR BLOATED CASH BALANCES.

OFTEN we have had occasion to speak highly of our contemporary, the *Spectator*, because of its pointed remarks and vivid descriptions of Indian affairs, whereby the pleasure and wealth-seeking British public are now and again roused from their political apathy in regard to this country and its fortunes. The *Spectator's* service to India is, however, very frequently outweighed by the extreme tone of its remarks and the bizarre or alarming drift of its often too concise explanations of our affairs. If the home public can only have their attention aroused to India and her concerns by statements which tend to show how futile it is to try to understand us, much less to give us aid in our perplexities, or by assertions which excite nothing but uneasiness and alarm, it would be better for the said public to sleep on unconcerned. Though there will be no immediate injurious results in the instance we have to refer to, the recent little explosion by our London contemporary in regard to the Cash Balances—that is, the ready money in the till of the Indian Government—is a case to which our description applies. This occurred in one of those weekly paragraphs, which, implying secular omniscience on the part of the writer, are intended to impress the half-informed reader with the notion that there is henceforth an end of all controversy on the particular topic so dexterously hit off. We will here premise that the subject has recently been brought before the home public by Colonel Nassau Lees, who drew attention to the hardship inflicted on the Indian taxpayers by keeping excessive and extravagant balances unproductive in the treasury. . . . . .

And now let us move on to examine, in its business aspect, our London contemporary's dashing exposition of the cash balance question. . . . The assumption that we "*must* have four months' expenses in hand" implies, as any home reader would be compelled to suppose, that the Government of India's treasury is replenished only in big lumps three times a year! Then it is intimated that the whole sum of our disbursements—instead of a comparatively small proportion—has to be transported "over all India," an operation requiring a month's time for its performance. What, in the name of common sense, is an English banker or merchant to make of such a bewildering description of a State's every day finance? He can only wonder how the machine goes on at all; and fairly enough, anticipating that a dead-lock at the Indian treasuries must arise at least once every six months, he will advise his clients to steer clear of "enfaced paper" and all other securities which depend on the Indian treasury for punctual payment. Knowing, in a general way, that half the Indian Government's income is derived from land revenue, that loose phrase "the next rental comes in" will serve to confirm his apprehensions. But even in that respect the *Spectator's* statement is misleading, for "the rental" is drawn at different periods in the various presidencies and provinces. Then there are the customs; the enormous excise (including with salt, nearly one-third of the whole revenue), the stamps; assessed taxes; and all miscellaneous income are coming in day by day; then, what is more to the purpose, the bulk of these "takings" are received at the centres where the chief part of the Government's outgoings occur. There is also the opium revenue, which, though regarded as precarious for the future, is, while it lasts, the one big item of our revenue on which we can most certainly depend. Scarcely any political disorder that could arise would prevent the Behar opium chests reaching the mart at Calcutta; and as H. H. Holkar and other Central Indian princes are deeply interested in the returns for the Malwa drug, we might count upon that coming down to Bombay through any mutinous disturbances. But these latter contingencies

pertain more to the extreme political perils at which our home contemporary hints, and the consideration of which we defer for a moment. . . . . .

If, then, during that episode of supreme peril, which, except under some apocalyptic catastrophe, can never again recur in British India, the financial difficulty was met—though the cash balance to begin with was not more than half its present bloated amount, what sense is there in the *Spectator* raising the spectre of "sudden disaster" as an incentive to financial prudence and foresight? Our dangers now are not so much political and military as those which arise from popular discontent and fiscal perplexity. One of the most certainly effectual methods of increasing that irritation and complicating that perplexity would be to withdraw from the people's resources that four or six millions sterling which the *Spectator* demands as a deposit against the mere chance of remote or visionary perils. True this is what Sir Richard Temple has done; it is what the Government of India did under that inspiration of folly which levied a $3\frac{1}{2}$ per cent. income-tax, pressing not so much on the rich as upon the weaker middle classes. We never ceased to denounce that glaring anomaly of a treasury running over, whilst the people were writhing under fiscal pressure and financial difficulty. Our Calcutta correspondent has not failed to trace the disastrous effects on trade of that hoarding of public money, that locking up of funds for want of which the country was and is panting with anxiety and impecuniosity. With a cash balance still ranging over twenty millions sterling, and another in London of three or four—a total of fully eight millions needlessly sequestrated from the country's use—those evil effects still continue, and business languishes in consequence. But, happily, Sir R. Temple's days as Finance Minister are numbered. Lord Northbrook and his Council have already recorded an emphatic condemnation of plethoric cash balances.*—*Oct.* 29, 1873.

CASH BALANCES NOT CURRENCY RESERVES.

IN the London letter signed "J.M.M.," which appears regularly in the columns of a local contemporary, there were, about a fortnight ago, certain remarks on the old topic of the superfluous cash balances. We afterwards dealt with that subject on other grounds, and did not care to notice a rather notable mistake fallen into by "J.M.M.," the more so because the remark in question was only incidental, and not essential to his argument. But as something like a similar misapprehension crops up in the *Indian Observer's* London letter; and as the confusion between treasury cash balances and currency reserves—for this is where the misconception arises—may be more general than we had supposed, it will be well to make the matter plain. . . . . "J.M.M.," thus commits himself to what we are compelled to suppose is a general popular misapprehension on this subject—". . . prudence requires that a military despotism should always have its military chest well filled. Besides, the note circulation of the Government of India increased from 4,500,000 in 1853 to 11,500,000 in 1872, and a much *larger reserve* is now, of course, necessary in *this department.*" The odd misapprehension—which we have indicated by italics—is the same in both cases, and it is easily cleared up; though we are rather surprised to find any journalist needing the correction. . . . . .

Let us, then, put the matter plainly; the 20,000,000 cash balances of the Government treasuries are one sum, and the 10,500,000 of the currency reserves form quite another. Moreover, the two sums are kept wholly separate, and are never mingled together by any chance. The cash balances are always kept at the treasuries, including the three presidency banks; and the currency reserves are kept at the several offices of note issue. This distinctly different location of these two large funds is, indeed, apparent from the returns of both, which appear monthly in our columns, but at different dates for each. Surely this is plain enough for the meanest capacity. Lest it should be supposed that the currency reserves could be indented upon in any financial or other emergency, we would refer to Act III. of 1871 which would have to be flagrantly violated by the Executive before the currency reserves could be touched. In one remote and constructive sense there is a possible connexion between the two funds; but this is all in favour of the inviolability of the currency note. We refer to the fact that over and above the palpable and direct security provided by the coin, bullion, and Government paper reserves—the total of which exactly tallies with the 12,000,000 or so of notes in circulation—the general credit of the Indian Empire

* For elucidation of above, see foot-note on page 325.

is pledged for the satisfaction and discharge of the currency note. It would be superfluous to amplify this explanation; and we need not here go back to show how needlessly "J.M.M." weakened his own contention by falling into the mistake of writing as if the currency reserves were part of, and included in the cash balances of the Indian Treasury.

Neither is it here desirable to go into the subject of the present Finance Minister's confused notions of currency and banking, in accordance with which the clumsy and unbusinesslike scheme was enacted whereby it was deliberately contrived to make the paper currency subservient to merchants' and bankers' remittance operations. If we were under a parliamentary system our central bureau of Finance would long since have been called upon for a circumstantial report of the transactions which have resulted from that muddling of currency and banking. From what little has transpired in connexion with it, we have reason to believe that such a report would present a striking exposure of blundering by our lavishly paid amateur financiers of Simla.—*Nov.* 11, 1873.

INDIAN COTTON MILLS AND PROTECTIVE DUTIES.

WE were glad to see "A Merchant" coming forward in our columns yesterday to set himself and his fellows right in the public eye with regard to the position taken up in the Chamber on the piece-goods duty question. He says that it is a "perversion of truth" to speak of the movement as one for the abolition of a "protective duty." He disclaims, on behalf of the British mercantile community in Bombay, any desire to "discourage local industry," but he does say they ask that local manufacture "shall not be encouraged artificially." So far, there is no doubt an almost universal agreement; though, as we at first pointed out, there is something to be said on behalf of nursing local, domestic, or rising industries. "A Merchant" having repudiated any feeling of class selfishness, and, on the other hand, having put far from him any affectation of philanthropic solicitude on behalf of consumers—that is the India millions who, as yet, refuse to wear shirts—goes on to accept and vindicate the "interested" motives imputed to those who have moved in the matter, He says, and very justly, that the circumstance of their being interested should not prevent them from bringing forward the proposal to abolish the import duty on yarns and calicoes; and that if they can show good reasons for that course, neither the State nor anyone else has any right to take exception to these motives. It is high time something of this kind was said. The ever-recurring imputation of selfishness demoralises both those who bandy it about, and those at whom it is hurled. The world's business neither in politics or trade would ever get transacted, if those who "feel the pinch," and those who see some advantage to their class, party, city, or State, were to hold back until saints and philosophers raised their voices, and entered into affairs solely on pure and disinterested principles.

The ground now being cleared, how stand the matters of fact that have to be considered? . . . It appears that in spite of indifferent management, and great inexperience in all that relates to machinery and the organisation of establishments, these large concerns yield a profit to somebody, which much exceeds all that can be put to the account of import duty. Messrs. W. Nicol & Co., in the long and all but exhaustive letter forwarded to the Chamber at its meeting the other day, showed that it is by no means certain that the local manufacturers do reap such an advantage from the import duties as is represented by the percentage of "bolstering up" provided by the tariff rates. "A Merchant" does not directly meet the contention of that letter; but he dissents from its conclusions, apparently on *a priori* grounds, and not because of his having instituted any closer investigation into facts. Putting aside that letter altogether, we may state that on this branch of the subject we have arrived at similar conclusions by a different method of observation. The logical difficulty pointed out by "A Merchant" in his closing para. may be met, without any "ingenious argument," and in this way—suppose it turns out that the description of yarn and coarser cotton cloth manufactured in Western India is not protected at all; or, rather, that the small percentage of protection it has enjoyed has already done for the industry all that which some indulgent economists think it may fairly claim. At any rate this is what we find to be the state of the case at present. . . . . .

It will be asked, how then does this fact comport with the large imports of Lancashire cotton goods which yet pour into India? We must dismiss from the argument, though no one can overlook the proportion of these imports which is due to reckless shippers who, whenever the money market is easy, purchase and export "grey goods" for India to the

full extent of their credit. It is with legitimate and profitable trade we have to deal in this connexion; and on due examination it will be found that ninety per cent. of the English yarns and piece goods now imported into India, at Bombay, and the three other large ports, consist of qualities not attempted by the Native spinning mills. Thus barely ten per cent., perhaps, strictly speaking, little more than five per cent., of our manufactured cotton imports come under the restriction of the "protective" duty. Thus it will be seen that Messrs. Wallace & Co. moved the Chamber to little purpose—namely, for relief on behalf of less than a tenth part of our present imports of cotton manufactures. Probably even this small quantity of duty-paid low yarns and common calicoes may have sufficient influence on the market rate to slightly raise the price of the Indian made goods; but even this is doubtful. This statement of the facts of the case, while it shows that the movement in the Chamber proceeded on an erroneous basis, and was scarcely worth while spending its force upon, also allows us to see that the fiscal difficulty is trivial, and that the duty on 24s or 28s yarns, and the cloth made therefrom, might be remitted without any appreciable loss to the revenue. . . . . .

The removal of the slight bonus now gained by the Indian mills from "protection" will probably afford just the stimulus that is needed to induce the managers and shareholders to seek that special aid from engineers and skilled English artisans for want of which they miss so much and lose so much at present. As to the suggestion recently made to the effect that Lancashire or Glasgow spinners and weavers might find it a great success to transfer their capital, machinery, and establishments to India, it is at first sight a very taking one. But judging from analagous experiments in the past it would scarcely answer in the long run. Here the financial advantages and local knowledge both of the buying and selling market would be on the side of the Native mill-owners; while, as we have just suggested, English skill and knowledge of practical mechanics could be obtained for the Native mills by fair rates of payment.—*Dec. 5, 1873.*

THE OPIUM REVENUE—ENGLAND'S RESPONSIBILITY.

AND so some public-spirited philanthropically-minded gentlemen wish once more to have the iniquities of the Indo-Chinese opium traffic investigated and held up to the execration of the civilised world. At least this is what we take to be the direction in which those who offer prizes for essays on "The British Opium Policy and Its Results to India and China" expect and desire the essayists to arrive at their "conclusions." From a politico-financial and controversial point of view it is at once important to note that these competitive essays will be judged, not only—perhaps we should say not so much—"by literary merit" or "the value of the information conveyed," as by "the conclusions arrived at." Perhaps, however, we should not lay undue stress on this indication of bias and pre-judgment in the intention of the generous prize-givers when attention is drawn to the names of the adjudicators—Sir C. Trevelyan, Sir Bartle Frere, and Sir Louis Mallet. Of the two former their position in the opium question is, that while they would be glad to see the same amount of revenue raised in a less objectionable manner, neither of them, as practical Indian administrator, has seen his way to provide a substitute, or made any any special exertions to find an equivalent for the £6,000,000 or £7,000,000 now derived from that source. As to the "commercial" and non-Indian member of the Indian Council, nothing is known of his attitude towards the "opium policy;" so that altogether the adjudicators may be regarded as non-committed, and certainly not bound over to the ultra-philanthropic or "iniquitous" view of the matter. . . . . .

It does not appear that any further guidance as to the scope of the essay will be afforded than is comprised in the sentence or title already quoted from the advertisement. It is, in fact, comprehensive enough—with one important exception. And here let intending competitors understand that we are about to let them into a secret, the appreciation of which, if they otherwise know how to handle their subject, will enable them to win the prize and considerable political reputation into the bargain. Therefore, let opium essayists prepend. It will be observed that the specification speaks only of "results to India and China." What about the results to England? That is, what results to England and the British taxpayer would follow from the abandonment of the opium revenue—for it is idle to conceal that the sacrifice of this extraneous source of Indian revenue is contemplated in the "conclusions" already aimed at by those who offer these prizes.

Perhaps it is not obvious at first sight that such abandonment would affect English taxation and finance; and we imagine this "result" has not been taken account of by those represented by Mr. J. W. Pease in the advertisement before us. Nevertheless, those essayists who do not fairly face this contingency—the introduction of a disturbing element in British domestic finance—will leave the opium policy where they found it, and may as well spare their pains. Those who understand the position of the controversy will admit this affirmation.* We need not, therefore, anticipate the course of argument which will be taken by the writers who may come fresh to the subject between now and next May, nor look back over the well-beaten path trodden by so many capable men from St. George Tucker in early times to Sir William Muir and Sir Rutherford Alcock of the present day. None of these writers, so far as we can make out, have suggested any substitute which comes near to offering a revenue that would fill the gap caused by the withdrawal of £6,000,000 or £7,000,000 derived from opium, and now paid by the Chinese. . . . . .

It is hopeless to ask what inland revenue could be substituted for the subsidy now voluntarily paid us by the Chinese. Tobacco-tax, marriage-tax, and additional succession duties, could altogether only amount to a bagatelle compared with our opium revenue. And, besides, it is no use our concealing the grim truth—unpleasant and hard to understand though it be—that the people cannot afford to pay more taxation to any appreciable extent. What then remains? Simply this; that if the opium revenue is abandoned, England must contribute a handsome sum annually—say, from £2,000,000 to £5,000,000—towards the current expenditure of the Indian Government. To this complexion we must come at last, either because of the gradual pressure of financial difficulty and social embarrassment—caused by the ever-growing depletion by the Secretary of State's drafts, or by reason of the growing sense at home of political justice and a perception of the financial obligations under which England lies towards India. If the opium revenue should be abandoned at the bidding of the "moral sense" of England, that result will come at once, instead of gradually, and he who writes the prize easy on the "opium policy" must be prepared to say how far England is willing to pay in order to back that "moral sense."—*Dec.* 9, 1873.

England's Debt to India for Opium Wars.

II.—Two sentences below we cut from a recent article in the local *Gazette*, intending to remark on them at the time. The first is quite true; the second quite otherwise, and all the more misleading because the saddling of India with charges on account of China wars is so flagrantly unjust as compared with the course correctly stated with respect to Colonial wars:—

> Wars are waged by imperial troops in the interest of particular colonies and the expense is generally borne entirely or in a great part by the mother country, even in cases where the interests of England have only been indirectly involved.
>
> * * * The war with China, which arose out of India's lucrative opium traffic in 1840, was distinctly an Indian war, but none of the charge was borne by this country.

It will be sufficient, for the present, to quote as against this mistaken statement the following general and emphatic denial of it, which we take from a well-known essay on the subject:—

> It is not true that England contributed one moiety towards the cost of the Persian war, or the first or second China war. In the last thirty years, she has prosecuted in Asia, beyond the confines of India, five or six great wars for imperial purposes (I refer to the China wars, the last Burmah war, the war in Afghanistan, and the Persian war) and in all these cases she has cast upon India almost the whole burden of them.

The aggregate amount of these extra-Indian charges thus iniquitously thrust on the finances and people of this country is something enormous. Without rummaging for a week amongst old blue-books and finance accounts, it is impossible to give the total figures; but they are on record, and when the British people shall be fairly roused to do justice to India they must form the basis of a big bill for compensation which might stagger an actuary. In this chance of future compensation for Indian revenues improperly expended under orders of "the Crown," lies one of the hopes of India, and we do not think it is quite a forlorn

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* It is only fair to mention that the competitor who obtained the prize, the Rev. Storrs Turner, did fairly consider the ultimate responsibility of England to India in case of direct legislative suppression of the Indian revenue from opium. How far he met the difficulty remains a matter of opinion.

hope. There was in "the lucrative opium traffic" a colourable pretext for saddling India with part of the cost of China wars; but in order to affix financial responsibility for these charges it is needful to trace how the wars originated and at whose instance they were promoted? It will be found, we believe, that India's "lucrative opium traffic" had far less to do with these China wars, than had the mercantile profits of immensely powerful London firms—also interested largely in tea, silk, and Lancashire piece-goods—whose behests it was that the Whig Governments of the day obeyed when they bombarded Canton and laid the forces of the Indian Government under requisition. . It is always very necessary to distinguish between the private profits of the opium trade, and the national advantage derived by India from her natural monopoly of the drug. It is quite comprehensible—though we do not assume such is the fact—that the massacres and bombardments undertaken in the interests of London-China merchants may have rendered the natural demand for opium by the Chinese more precarious than it would have been without all that high-handed violence by the British Government. And, in any case, that England should have thrown nearly the whole cost of China wars on India is a scandal and a wrong.—*May* 22, 1880.*

THE PIT INTO WHICH INDIA IS DRIFTING.

THE topics comprised under the subjects purporting to be inquired into by the parliamentary committee on Indian Public Works Finance are of immense importance to this country, and, proportionately, to England itself. These are no mere questions of administrative detail; though numerous minor topics of that kind lie all around and beneath the great subjects with which the committee has been dallying. It is not too much to say, that India's future hangs on the right determination of the large financial issues, arising out of, or underlying the subjects properly comprised within the purview of the Committee's inquiry. The object of the India Office, in securing its own chairman and carefully making the most of its departmental witnesses, was evidently that of securing extraneous confirmation of certain of its own foregone conclusions, which, we submit, have never been subjected to any adequate and free discussion. These are, briefly, (1) India must be kept out of the European money market if possible; (2) India shall construct her public works out of revenue as far as possible—or go without; (3) the sentimental superstition that great political advantage will arise from inducing natives of India to invest more largely in Government loans; (4) that there is greater tendency to extravagance on the part of Indian administrators than with those who control India's affairs at home. However fantastic these "idols of the den"—that is of the India Office departments—may seem to us who look at them from this side of the water, it must be remembered that they form very impressive "properties" in the Committee room. When a past Under-Secretary is in the chair, and introduces the grey-bearded departmental chief as "one who knows more of Indian finance than any man alive," it would require exceptional moral courage for any mere committee man to hint a doubt as to the overpowering wisdom comprised in the prearranged catechism repeated between the two. Just let any of our readers refer for a moment to that string of elaborate questions to which Sir Thomas Seccombe merely replies with the monotonous monosyllable "yes"; and they will see, that, instead of affording any serious opportunity for investigation, the performance was a solemn farce. Not one of the committee dared interrupt the flow of complacent wisdom drawn from the inner recesses of the India Office.

Now let us fasten attention on the four propositions we have formulated as expressing the present narrow, grudging, short-sighted creed of the India Office in matters of practical finance. Take our 1 and 3—the demand that India shall be compelled, if possible, to find all her public loan funds within her own borders. This demand applies alike to loans for public works, for famines, and for debt incurred in wicked waste of the country's resources in aggressive wars, like the present and past Afghan invasion, or other preventible unproductive expenditure. Of course, compliance with that demand is not possible—except to a considerable extent in the direction where this grudging is most pernicious, that of checking outlay on productive public works. The only solid portion of fact amidst the bushel of India Office opinion is the statement of debt incurred for all purposes during the last six years—that is, since, and including 1873-4. The total comes to £27,000,000,

* This and remaining extracts are from the *Bombay Review*.

of which the Chairman was careful to mention that £14,000,000 has been "disbursement of famine expenditure." Of that total sum £16½ millions were taken up in England and nearly £11,000,000 in India. Besides this absolute nett addition to debt, a sum of £4,500,000 was taken up at home and applied to an equivalent redemption of East India Railway interest on capital stock. This was a sensible business proceeding; and, if we took time to trace its influence on exchange and the current ways and means of the India Office Treasury, would go far to confirm the principle for which we contend. No further indication is given of the purposes to which the £27,000,000 or rather the £13,000,000 were applied during the six years in question.

In the absence of other current and earlier continuous statistics relating to debt incurred, specifying how much taken up in Europe and India, to the amount of Council Bills, to the corresponding rates of exchange, to the imports of treasure into India and two or three other essential factors, we will proceed—quoting authority so far as is practicable—to state the more telling considerations which stand opposed to the India Office financial creed. The reasons that render it desirable for India to borrow, instead of taxing and consuming her current resources, and which compel her, as Sir Thomas Seccombe unwillingly confesses, to borrow in England, are reasons that arise out of the conditions of India's relation to England and her dependence on the most powerful and most wealthy nation of the earth. So long as these relations continue India must render tribute to the master country—not in the gross way that Rome levied tribute on her eastern provinces, but just as inexorably by dint of monetary and financial facts.

Now first as to the effect of this tribute, this obligatory transfer of a considerable portion of India's industrial and commercial revenues. The effect of this state of things (though without any specific reference to India) was clearly described, and with remarkable prescience, in J. S. Mill's chapter "on the Distribution of the Precious Metals." Following that synthetical statement, Mr. Walter Bagehot, with the experience of India in recent years before him, thus in his skilful articles "on the Depreciation of Silver" makes practical application of the principles concerned :—

> The effects of the imposition of a tribute on the industry of a dependent country are two; first, to drive away all cosmopolitan capital, which can carry on its business elsewhere. It takes for the use of the Government a certain portion of what used to be the profit of the capitalist, and if in any other country capital does not pay an equal tax, that large class of capitalists who now belong to all countries will go to some other, and will carry on their business there. And secondly, the residential capitalists, whom no motive will tempt away, must be content with a less rate of profit than they used to receive. Particular industries, for which the dependent country has special advantages, will to some extent be an exception; but, as a rule, the effect of the augmented tribute will be to lower prices, because as a rule, and for almost all commodities, it will fix profits on a lower range. A country which has a tribute to pay of £15,000,000 annually, must send abroad annually £15,000,000 worth of commodities more than she receives; the profits of her various industries must be less by that £15,000,000; prices must be lessened to effect this; and (supposing, as is the case with India, that this country does not produce the precious metals) prices will be thus lessened by a corresponding reduction in the import of those metals. Thus, in the case of India, the effect of her augmented political payments will be to lower the level of prices, till her exports rise above her imports by an equal sum.

We need only ask thoughtful practical men to ponder—not only now, but again and again—the continuous depressing influences implied in the effects indicated, first, on "cosmopolitan capital" (that is, on European firms in India), and second, on "residential capitalists." Then they should follow out what is involved in the phrases—"to lower prices" and "fix profits on a lower range." Does not this view of India's monetary and financial position, which is real as the law of gravitation or any other scientifically settled fact, throw a flood of light on the impecunious condition of this country, the hopeless poverty of its masses, the unprofitable nature of its commerce? But the writer goes on to show that while it might be supposed that prices in the dependent country "would fall and fall indefinitely," there is one condition of adjustment arises which staves off such an unmitigated catastrophe. He says :—

> The dominant country simply takes a portion of the produce of the industry of the dependent, and so far renders it less profitable. The range of prices in the dependent country must necessarily be lowered to effect this end, and for a time the supply of the precious metals to it will be diminished. But upon its permanent import of those metals the imposition of the tribute will have no effect. As soon as the proper range of prices is reached, the bullion trade will go on as usual.

But there arises also another effect from the method in which the tribute of the Home

charges is transferred from India to England—an effect to which, with all his acumen, Mr. Bagehot, we think, failed to give due weight.

Scarcely any writer on economic science who has not followed out this subject in India can realise the force of the effect to which we allude. We refer to the interception by the Secretary of State's draft of the natural flow of silver to India, which forbids that —even when the enforced "lower range of prices" has been reached—"the bullion trade will goes on as usual." As to the manner in which this effect arises it is familiar enough to our commercial readers, though few of them follow it out to its consequences on the industry and internal trade of the country; and few of our officials or native financiers —though in both classes there are men eminently qualified for the purpose—have inclination enough to impel them, or leisure to permit of their following out the subject. For illustration of this remarkable instance of the artificial supersession of the natural flow of the precious metal that should, but does not, replenish India's currency thereby supporting prices, stimulating industry, and sustaining internal trade profits, we must quote from the Report of Mr. Goschen's Silver Committee: the passages we here give are also used by Mr. Bagehot, though for a somewhat different purpose:—

> The yearly amount payable by India for the disbursements of the Home Government has risen since the Indian Mutiny from £5,000,000 to £15,000,000, a difference of which the magnitude will be appreciated when it is remembered that it is considerably more than half of the total amount of silver annually produced.
>
> That the full effect of this substitution has only been recently felt, as that effect was retarded by the construction of the Indian railways, which involved an expenditure in India of money raised in England, counterbalancing therefore an equal amount of expenditure in England of money raised in India.

Mr. Bagehot goes on to remark that "the effect of an increase of the sum due from the dependency [*e.g.*, the rapid addition to the annual amount of Council Bills, because of railway capital ceasing to be paid in] almost always at first is, and perhaps may permanently continue to be a diminution of the cash [? specie] which the superior country has to transmit. This is one effectual mode of rectifying the balance [or modifying the overbalance]; . . . and it has been so here." So much so that, whereas the annual export of silver from England to India in the four years ending 1872 was about £10,000,000 sterling, in the four years ending 1876 it was barely £4,000,000. The counterpart of this "diminution of cash" for India is shown in the Council Bills, which in the former period had averaged under £7,500,000, in the later period, ending 1876, the average was over £12,500,000. This process of silver being pushed aside by Council drafts—which are mere paper orders to pay, and can have no place like bullion in the facts of import returns—had commenced before the date we have given; and, as every one knows to his sorrow, has been going on with accelerated pace since 1876.

[Here was quoted the passage from Mr. Goschen's Silver Committee Report, the tabulated demonstration that the Council Bills *pro tanto* prevent the flow of silver in India.]

Now let our readers consider, if they can, the force and bearing of the conditions described in our quotations; and then let them weigh against those conditions—which are so bitterly applicable to India at this moment—the shallow, pragmatical, or grudging conclusions of the India Office as summarised under our points one to four.

We have shown that the effect of the tribute or non-commercial compulsory payments from India is to drive away or discourage capital, to lower profits and prices, and to keep the subsistence of the labouring classes (including the ryots) down to the lowest possible point at which body and soul can be kept together. "The profits of her various industries must be less by that £15,000,000; prices must be lessened to effect this," so says the authority; and any competent observers know this is so. There is, indeed, one apparent exception or counter-influence, to which Mr. Bagehot draws attention, that is, the Secretary of State's drafts are, in a certain sense, equivalent to loans during the period of their currency. It is in this way, through the low gold price of silver and unduly favourable rate of exchange on India, that we see the phenomenon of excessive prices for certain of our export commodities. But it will be found that this incidental effect, arising from the Secretary of State's paper money, is of no advantage to the country as a whole. It gives to a few with one hand, but more is taken back from the many with the other. This is a by-way of the subject for students to follow out. What we have to do with here are the broad facts—(*a*) that India's resources are seriously

curtailed by the constant strain of non-commercial payments to the other side of the globe; (*b*) one peculiarly exhausting effect of that drain is that the currency material, which, under normal conditions would flow into India, is dammed out by the Secretary of State's drafts; (*c*) up to 1869 the drain of the tribute and interception of silver by Council Bills had been set off by large payments in England of railway and other public works capital, which had the same effect in permitting the natural flow of treasure to India as have loans taken up in the London market whether to provide for inevitable debt or productive public works; (*d*) but the wiseacres of the India Office, and a few public men outside who ought to know better, are determined that India shall not be spared or relieved in that way; (*e*) under the strain of famine and heavy military expenditure the condition of India would be bad enough, but, under the extra pressure caused by the present short-sighted pedagogical policy of the India Office, the industrial and commercial interest of this country and its people are rapidly going from bad to worse; (*f*) whilst that policy is obstinately cherished by the India Office, and tamely accepted, nay servilely commended by the weak time-serving Government of India, there is no hope or chance of any recuperative movement in Indian affairs.

Now as to the moral of this: we shall have written to little purpose if the application is not clear; but it requires to be thought out, and worked out. And as the Hebrew prophet exclaimed—"Who is sufficient for these things"? We will give, at least, one broad practical precept: note the coincidences of the termination of railway capital payments—the more rapid growth of military and other Home charges—the enormous accession to the volume of our Council drafts—and the consequent large decline in India's imports of treasure. Now we are not amongst those who regard our big railway system as a triumphant success. If we did not think that irrigation and other public works could be made far more productive for the country at large than the guaranteed railways have been, we might hesitate to advocate the prosecution of such works on the great scale. We might hesitate; but, in view of the vast financial and industrial advantages obtained for this country through the raising of railway and other capital in Europe, we should still affirm that in the liberal and rapid application of British capital to productive works in India lies the only chance for our rescue from the pit into which this unfortunate country is now rapidly drifting. —*April 26, 1879.*

II.—Seven days will have been little enough time in which for the weighty considerations embodied in our article of last week to sink into the minds of those who desire to carry out and apply them as essential factors in the present material condition of India. The chief of these may be expressed in two forms—(*a*) when any large portion of the revenues of a country are expended elsewhere (instead of as in countries where the financial system is self-contained, being speedily returned to the people becoming again available for productive purposes) those revenues are in such case dissipated and lost to productive use; or (*b*) the effect of continuous transfer of any such large portion of revenue is to force prices down in the remitting country, to reduce the funds otherwise available for wages or other industrial purposes, and to curtail savings or that accumulation of capital which is essential to improvement and national progress. It was pointed out (1) that the effect of this compulsory transfer of revenue to which India is subject, was, for a considerable period, modified by the payment into the India Office treasury of railway capital, and that similar beneficial modification would accrue from payments in England of loan capital, its equivalent being expended here on other productive public works; (2) that, when because of State exigencies, whether involuntary, as in the case of destructive famines, or wilfully caused by aggressive and costly military operations, it becomes necessary to borrow for the public service, great relief from pressure of the aforesaid compulsory transfer of current revenues is incidentally obtained by such loans being taken up in England and set off in diminution of the inexorable Home charges; (3) and that in presence of the recent extreme "losses by exchange", there is special reason for securing such relief as is possible by either of the above-named methods. Space did not permit last week of our laying much stress on the latter proposition; but it should be sufficiently obvious. The popular fallacy that the increase of Home charges, consequent on the additional interest and cost of remitting it, overbalances the immediate large advantages in diminishing the present abnormally high rate of exchange—gained by taking up funds in England—has been fully met and confuted in a pamphlet advertised on our outside sheet. To that brief essay we may direct any who desire to study the bearing of this important by-way of our great subject.

Referring to our proposition (*a*) above, we find in an article by Mrs. Fawcett, which appeared in *Macmillan's Magazine* in 1872, a passage that may afford us a useful illustration. The writer was considering the industrial effects likely to be induced in France by the enormous loan transaction rendered necessary in order to meet the pitiless demand of the German conquerors. It will be seen that a tolerably close parallel—but from an opposite point of view—may be drawn between the temporary influence on France of that great operation and the permanent effects which India undergoes from that constant transfer of revenues of which we speak. [The quotation and explanation given here will be found, in somewhat different form, at pp. 385-6.]

It must be remembered, that the steadily depleting influence which is affecting this country, is immeasurably greater in volume and force than is the pressure of extra indebtedness on France. Then, too, there is no comparison between India and France as regards efficiency of labour, aid derived from machinery, manufacturing resources, compactness of territory, and facilities of internal communication. Hence the illustrative comparison, that we have taken, by "French leave" from Mrs. Fawcett, is chiefly of service in causing one to marvel how India can stand the overpowering strain so long. There will be time enough to seek out compensatory considerations when the facts of India's handicapped position are realised by her responsible administrators. Few of them, in the present day, have attained to this necessary stand-point—necessary, we mean, for them to clear their minds of the cant of optimism to which, after all, is due nearly every administrative blunder that India is heir to.

Enormous Increase in Army Charges.

III.—Partly by way of contributing to that wholesome process, we propose to deepen any impression the duly authenticated propositions of our last article may have made, by bringing into prominent notice one more familiar consideration. We refer to the enormous proportion of unproductive expenditure that India has to sustain. Professor Fawcett, in his article in the February *Nineteenth Century*, after showing that the nett spendable revenue of British India is only £38,000,000, cites Sir John Strachey as authority for the statement that the military expenditure of India is £17,000,000 a year. In 1877-78 we see the nett total was about £15,500,000; in 1878-79 it was somewhat over £16,000,000, and for the current year the budget estimate is gross £18,250,000 nett about 17½ millions—an estimate which is, manifestly, from £1,000,000 to £2,000,000 too low. Mr. Hyndman indeed puts down India's army expenditure at £19,000,000; but we suppose he must be regarded, as Mr. Disraeli did Professor Goldwin Smith, as a "wildman," and useful mainly to beat the big drum for an alarm. But that, if we consider it, is a highly important function, if the discordant sound could only reach our optimists dozing in their fools' paradise. It is highly probable that if every charge arising out of, and compelled by our Military system—not only the loss by exchange on the £4,000,000 odd, but also the barracks and other unproductive public works needful for military purposes—were cast up, the gross total for a series of years would not only reach, but exceed the £19,000,000. However, adopting Professor Fawcett's way of putting it, he points out that the £17,000,000 amount to 45 per cent. of our nearly stationary revenue; while, with the premium on the gold payments needed to meet the military part of the Home charges, the cost of the British Indian army must absorb half our available revenue. To anyone whose course of reading and observation may have enabled him to estimate what figures like these mean, when compared with the factors that concern a nation's welfare, this unproductive consumption of half the country's public income is simply appalling.

But this is only looking at one year; we are apt to forget that these exhausting charges go on from year to year and we fail to realise their total cumulative effect. Also, what is more to practical purpose, we should take note that these huge unproductive charges have increased, are increasing, and will be further increased, unless some vigorous effort is made to check and reduce them. Therefore let us glance back at the rapidly accelerated progress of this devouring branch of Indian expenditure. The following table we have prepared will show the aggregate amount of Army charges on the Indian revenues in the periods mentioned, and also the ever-increasing proportion that has had to be remitted to and spent in England:—

For the Six Years ending with	Total Military Charges falling on the Revenues of India. £	Portion (of total in last column)	£
and including 1842	53,516,366	spent in England up to 1842 ...	5,168,213
..... 1850	67,290,324	..... 1850 ...	5,931,878
..... 1868	93,869,675	..... 1868 ...	15,509,626
..... 1875	94,019,195	..... 1875. ...	20,995,395
Aggregate for the 24 years	£308,695,560		£47,605,112

The periods have been selected so as to miss the Mutiny and other special episodes of expenditure; yet it will be remembered that the six years prior to 1842 included both the Afghan Campaigns, and that the great Punjab war was only just over in 1850.

The two latter periods were both piping times of peace; but it will be seen at what a thundering rate the piper had to be paid. The enormous advance in this unproductive branch of Indian expenditure in the eighteen years after 1850 seems almost incredible; but there it is, and the official figures will not be disputed. Those familiar with Indian affairs will remember what was the chief cause of that leap and bound in Military expenditure in the period between 1850 and 1868. It was not so much the effect of the Mutiny struggle; for the excess expense arising from that cause had been stemmed in 1860-62 by the strong Committee then appointed, including the sturdy Sir George Balfour, and of which "R. Temple" was the efficient and influential Secretary. By far greater proportion of that vast leap from £67,250,000 in our six years period ending with 1850 (an annual average of £11,000,000) to nearly £94,000,000 in the period ending with 1868 (or about £15,500,000 annually) was due to the disastrous and costly measures comprised under the term Amalgamation. That ruinous influence has continued to exert its relentless force; and, as we have seen, the £16,000,000 annually of the period ending 1875 is already increased to nearly £18,000,000 without the slightest prospect of the overwhelming pressure of the War Office and Horse Guards influence being in anywise abated or controlled. When one remembers what the result has been of this revolution in military administration, forced on India by the aid of time-servers and place-hunters, and in spite of dissuasives from her most faithful and trusty counsellors, it is impossible to note with equanimity the querulous complaints of departmental secretaries like Sir Thomas Seccombe who talk about its being impossible to maintain control over the Government of India. Then, not only have we to ponder over this chronic consumption of nearly half the nett revenues of India on military expenditure, but there is the portentous addition now being made to it by this fantastic game of the "scientific frontier." Writing in 1875, Lord Sandhurst estimated that the occupation of advanced posts beyond the frontier would involve an additional army charge of £3,000,000 per annum. If advanced posts would be likely to demand such a handsome bill, how will it be when Kandahar and Jellalabad have to be established as permanent places of arms, to say nothing of the Kurrum Valley and Pishin, while a strong escort—really a complete brigade—has to be occupied in defending that unwelcome guest, a British Resident at Kabul? No one can tell how these accumulating burdens are to be borne, or what is to become of the unhappy revenue yielders of this country. One thing only is certain about it; that is, the scornful British taxpayer, the grasping Lancastrians included, will have to bear no inconsiderable share in sustaining the crushing charges which, thanks chiefly to the neglect and selfishness of the said taxpayer, have been thrown on this country.

To revert for one moment to the scientific and strictly economic subject of our last week's article, let note be taken of the leap—from less than £6,000,000 up to 1850, and the £15,500,000 in the 1868 period in our list—of the proportion of military charges paid in England. At the last named period the portion of Army charges paid at Home amounted to a sixth of the whole, while in the two earlier periods it was less than one-tenth. In the 1875 period of six years the amount that had to be remitted Home had reached nearly £21,000,000, amounting to nearly a fourth of the whole; and this tendency of a larger proportion of our army charges to be paid at Home must go on with accelerated pace under the increase of European troops and greater cost of ordnance necessitated by the Afghan occupation, and by the ever-increasing pressure from Home on behalf of pay, patronage, and promotion.* Thus, the enormous proportion of Indian revenues

* These anticipations have been more than fulfilled. The permanent establishment of a "place of arms" at Quetta, far beyond the frontiers of India; the extension of the costly military railways

expended unproductively, the rapid absolute increase in the amount, and the ever-increasing proportion of those payments that have to be made in England, when fairly looked at as we have enabled our readers to do, serve to make the yawning chasm, to which Indian finance is drifting, look nearer and deeper. But our optimist rulers heed not the peril; while native politicians and capitalists who are mostly threatened by the coming catastrophe, are either heedless, or destitute of that political instinct of cordial co-operation which alone can avail to rescue a State from the cumulative calamity that now impends over this country.—*May 3, 1879.*

NOTES ON THE GREAT FINANCE DEBATE OF 1879.

THE report by an eye-witness ("J.M.M.") of the great debate on Indian Finance, which appeared in the *Bombay Gazette* of last Wednesday, is in many points interesting. In few is it more so to Bombayites than in showing how the idiosyncrasies of the writer are apt to overcome his better judgment. The description of the Bolton member's "single speech" might pass as the generous recognition of a new man; but who, except a strong partisan, could so far lose all sense of proportion as to laud that prepared essay in order to speak of Mr. Gladstone's earnest telling appeal as "a rambling and aimless speech;" In like manner, what can the judgment of a writer be worth who "could not follow what Mr. Gladstone said about army retrenchment"; and who, in turn, can "follow" the writer himself when he rudely speaks of the experienced statesman's remedies for India's woes as "simply ridiculous"? Any politician, not to say any Indian journalist posted up closely to the current history of the day, should have been better able to estimate the objects and reasons of that remarkable speech. For weeks, probably for months past, the earnest conscientious statesman has, in the midst of other still more pressing affairs, been pondering over this condition of India question. He saw that it was necessary to strike through the haze with which the infatuated optimism of the India Office had obscured the subject. And the object aimed at was hit. In accepting as a "very grave and not exaggerated statement, Mr. Grant Duff's estimate that there is need of, and scope for a reduction of £4,000,000 in Indian expenditure," Mr. Gladstone has instituted a standard of retrenchment which other Home politicians will now have courage to work up to. And when he pointed out so clearly, that, after the license-tax, we have "no title to look to the imposition of new taxes in order to meet our deficiency," he gave a warning to the Finance department here which even that pachydermatous clique dare not disregard. In telling those responsible for Indian expenditure that they "must get rid of a vast amount of conventional estimates," that they must face even "possible-dangers," and that it is idle to regard "Indian army expenditure as affording only a small field for economy," he did all he could to reawaken "that masculine spirit set upon economy," which, as he too well knows, must be roused before there can be any chance of overcoming the desperate, though perhaps undemonstrative opposition from the powerful class interests that thrive on the Indian revenues. The crowning and special merit of Mr. Gladstone's pregnant, and, for him, short speech is, when he so strongly pressed the truth, that the "ultimate responsibility" for Indian Finance rests on Parliament itself.

Reverting to the carefully prepared speech by Mr. J. K. Cross we must apprise our readers, in case they may not have already recognised its special merits, that it is one well worthy of close examination and future reference. It is not least so in respect of those portions which "J.M.M." seeks almost petulantly to repudiate when he patronisingly speaks of Mr. Cross falling a victim to "the delusion fostered by ignorant and presumptuous writers." Possibly there may be "presumption," and if not "ignorance," then perversity found in other quarters. In the penultimate paragraph of his present letter "J. M. M." falls foul of Mr. Hyndman and tries to break the force of the crushing reply given by that writer to the letter in the *Times* by the former under his full signature. And this is done in characteristic fashion. Whilst accusing Mr. Hyndman of quibbling, because, after citing Sir John Strachey's dictum about "no direct commercial return" for the £20,000,000 excess of India's exports over imports (he did not repeat the word "direct") "J.M.M." proceeds to put a gloss of his own on the Finance Minister's statement. But this is not a matter of

between Sinde and that outpost; and now still further in the direction of Kandahar, have formed plausible excuse for the definitive addition, in 1885, of 10,000 European troops and considerable increase to the Native armies, thereby entailing an additional annual charge of about £3,000,000 sterling.

phrases; it is a question of fact—by far the most portentous fact that concerns India's present and future condition. So let us see how "J. M.M.'s." justly lauded new light, the member for Bolton, treates this question of fact :—

> India sends us a very large quantity of surplus profits. She sends us nearly £20,000,000 a year more than we send her in merchandise [and treasure together]. When India would take, had she her own way, her returns, in silver, salt and shirtings, we force her to take all kinds of things, that she does not want. We make her take expensive soldiers and still more expensive Civilians, and we make her pay for absentee soldiers—for soldiers who never go near her. He was not blaming any particular Government. He had shown that in 1868, the Home payments amounted to a sum equal to 43½ per cent. of the land revenue, and that in 1879 they required a sum equal to the whole net land revenue. Tnis showed an increase of annual charge upon India of 104,000,000 rupees in eleven years. (Hear, hear.)

And here is the concluding sentence of Mr. Cross's speech :—

> On all the grounds he had stated, he asked the House to agree with him in thinking that the future course of silver, and therefore of exchange, would depend upon the absorbing power for silver which India possessed; that such power must depend upon her prosperity, and that her prosperity depended in a great measure upon economical government and a complete curtailment of the charges payable in England. (Hear, hear.)

That expression "complete curtailment" is not one we should have used. Very great curtailment is possible and is imperatively demanded; but, as our readers know, we rely far more upon some substantial set-off. When the masterly statesman for whom India is waiting shall come to the front, it will be found that, at the cost of slightly augmenting the Home charges by interest for reproductive works, it is possible to largely reduce the annual payments now so helplessly regarded as inevitable. Thus could be staunched the hemorrhage of "loss by exchange" and a flush of prosperity and new life would be sent through every vein of the Indian body politic. It is not *we* who undervalue the "indirect" commercial advantages that *might* be derived from duly regulated payments in return for the cheap funds of England; but no declamation or sophistry on the part of "J.M.M.," Colonel Chesney, or any one else can abate the force of the scientific truth, that payments out of a country, for which no material return is received, lower prices in that country and depress all its industries and profits. We are quite aware that, as Mr. Cross pointed out, to the unbounded delight of "J.M.M." there is a certain counter-effect which high rates of of exchange (*i.e.*, greater cost of making the money payments aforesaid) have in enhancing the local price of readily accessible export products in the dependent country. But this is only one thing that "is seen;" others that are "not seen" are (*a*) that prices of these exports, along with everything else, have first been artificially depressed, and (*b*) the enhancement of the exports is only the counterpart of artificial dearness of imports. If it be said this is a digression into technicalities, students may refer back to our Nos. 21, 22, 23 and 26, especially the latter, where they will find material and suggestion for the study of the whole subject both theoretical and practical. That material is not ours, so our contemporaries need not shy at it; part of it is contributed by two of the most practical economists who ever wrote in or on India, and the rest by the English masters of the science.* There was, besides, the direct practical precept of Mr. Crawford, the mercantile member for London. We only put those materials in shape; and we refer to them now, believing that they not only serve to explain all the difficulties which the several speakers in this great debate strove in various ways to account for, but also supply suggestion and guidance towards India's deliverance from the perils that environ her.

Mr. Cross's struggle to show the other side of the exchange question, and his not wholly random shot about the enhanced price of opium, remind us of Mr. Goschen's speech in the same debate, which was described by the London Press as scientific and highly technical. We turned to the report, therefore, in the hope of meeting with one of those lucid compact statements of abstruse points in monetary science which Mr. Goschen alone, on our side the Channel, can give; but we were disappointed. Not in Mr. Goschen—for we have no doubt he did full justice to his reputation in this respect—but in the report. It is manifest that the reporters themselves had been scared by the technicalities, for they have dropped them out of their notes—leaving however that reference to Mr. Bagehot which suffices to indicate the *lacunæ* of the report. The most notable service of Mr. Goschen's speech, as it appears

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* The articles in Nos. 21 and 22 are here given pp. 434-9. Some writers referred to are Sir George Wingate, Professor Green, Mr. R. Knight, Walter Bagehot, and Sir William Hunter on Earl Mayo's Public Works policy.

in the *Times*, is the rather common-place but highly useful one of bringing the silver statistics up to date. But in referring to the large import of silver into India in 1877-78, by way of correcting Mr. Cross, he appears (according to the report) to have omitted the altogether indispensable explanation that the large import of silver indicated temporary reduction (because of the famine) in the vast volume of Council Bills, which, before and since, keep India's imports of silver abnormally low. It is that temporary reduction we desire to make continuous by other means.—*July 5*, 1879.

ANOTHER GREAT REPUTATION MARRED:

Indian Revenues Sacrificed to Party Exigencies.

SO Sir Henry Sumner Maine has gone over to the majority—not indeed in the meaning of the fine old Roman phrase, but in the modern sense—the majority of time-servers and trimmers. This may seem a harsh judgment to pass; but we can in no way better express our sense of amazement and intense disappointment on reading the abstract given by this week's overland papers of that eminent man's Minute apologising for the arbitrary sacrifice of the Indian cotton import duties. We are quite willing to admit that the full text of that document is certain to vindicate the high dialectical skill of the writer; but the fragments given sufficiently indicate that, while all the great jurist's logic may be there, we shall miss that comprehensive grasp of the facts of the case and that eminently reasonable temper which have usually rendered the State papers of Sir Henry Sumner Maine so instructive. On this occasion it seems as if the philosophic and dignified statesman had "narrowed his mind" to accepting a brief from those men of Belial—Lords Cranbrook and Salisbury. And the penalty of having drifted into such a grotesquely false position—Wisdom stooping to the tasks of the paltry partisan schemes of the hour—is manifest in the result. It is exasperating to see Sir Henry Maine superfluously spending his powers on a false issue, in proving that, technically, the Viceroy has legal power to disregard the conclusions of a majority of his Executive Council. The obvious purpose of that exceptional function is that the Governor-General, as representing the Crown and Parliament, may intervene on behalf of the people and interests of India in matters where Service and other local Indian prejudices or class interests might otherwise thwart the larger policy and beneficent purposes of the Imperial Home authorities. It is true that, in this instance, Lord Lytton was the instrument of the Home authorities to whom accident has given the control of Indian affairs; but the high prerogative was abused for their own paltry and unworthy purposes, and in contemptuous defiance of the immediate and pressing interests of India. As to the peculiarly ingenious attempt to found an argument on the supposed necessity of the Finance Minister being, with the Governor General, omnipotent in the Executive, we do not see what there can be in it, except that, as put, it proves far too much. For, whereas, the object of such a provision or "understanding"—loose term that, Sir Henry—is that the finances of India shall be conserved and defended, if necessary against the Secretary of State himself, in this instance, the "understanding" was used to sacrifice and fling away a portion of the Indian revenue which was only objectionable on technical and abstract grounds, and the remission of which, as we see Sir Barrow Ellis had aptly remarked, can only be "effected by (afresh) taxing the people of India." Sir Henry Maine has "heard no answer to the economical argument"—*i.e.*, of those renowned freetraders Lord Salisbury, Cranbrook and Lytton—in favour of the abandonment of these duties. If so, he must have listened very badly; but, in fact, this way of putting it reminds one painfully of all but the lowest order of special pleading. . . . . .

Perhaps the most deplorable portion of Sir Henry Maine's Minute is that wherein it is "defaced," to use his own word, by a *post facto* justification for yielding to a clamorous class interest. Who can deny the force of the following as a general statement:—

> Nothing could be more valuable to the Government of India than a body of English opinion steadily directed towards Indian affairs by a healthy material interest in them.

Just so; but where, Sir Henry, is the "healthiness of the material interest" in this instance? The Lancashire leaders, driven blind by the unexampled depression of their industry, cast about wildly for the point of least resistance. They found it in a Secretary of State of robust conscience, the fate of whose party hangs on the Lancashire vote; and, ignorantly exaggerating the infinitesimally protective influence of the Indian cotton

import duties, demand their abolition as the price of electioneering fealty. What is there "healthy" in this, Sir Henry? Was not the temper in which this compact was conceived as morbid as could be; and is not the ratification of the bargain—just now shamelessly proclaimed by the chief actor in it—degrading to both parties? Sir Henry Maine is a man of refined character and high principle; hence, to avoid the natural loathing that this transaction would have created in him, he must have steadily looked away from the facts. This explains partly why he takes refuge in generalities, as thus—"There could be no worse result of Indian financial policy than that the opinion of the North of England should become indifferent to topics of Indian Government;" and he remarks that "we (the Indian Council, we presume) are too much at the mercy of amateurs"—that is, in the way of public opinion on Indian topics. Now, if Sir Henry Maine were not such a recluse, he would know that in this corrupt transaction he and his six assenting colleagues have fallen into the hands of the veriest "amateurs" in Indian affairs that could be met with. Their invincible ignorance as to the incidence of the import duties in question was in itself a proof of this. True, it would be a misfortune "that the opinion of the North of England should become indifferent to topics of Indian Government." But what is that "opinion" worth, if it has to be bribed by playing fast and loose with Indian revenues for the benefit of the "amateurs" who need their opinions to be so elicited or stimulated? Sir Henry is under an absurd mistake as to his representatives of a "healthy material interest." These men are most of them representatives of the factious party in Manchester and Liverpool who have persistently opposed the cultivation of a "healthy material interest in Indian affairs." They or their predecessors were the bitter opponents of the true freetraders, of the men who sent Alexander Mackay out to Western India, and who obtained the appointment of the Committee on Cotton Cultivation in India, which first opened up the whole subject and prepared the way for the vast development of cotton growth and export which we now witness. Amongst many other of the energetic and public-spirited men who did heartily promote that "healthy material interest" in Indian affairs that Sir Henry Maine desiderates, there was the former member for Stockport, whose obituary the journals of the day have just published. For years he bore the honourable cognomen of "Godavery Smith," indicative of his earnest desire to give to India the incalculable blessing of cheap internal communication by water-carriage. But these "amateurs" or their predecessors whom the philosophic Indian Councillor takes to his heart, belong to a local party who thwarted and scorned men like "Godavery Smith," who, in turn, would have scorned to be bribed by their own "material interest" into taking interest in Indian affairs. Thus, as we intimated at starting, Sir Henry Maine having taken up the, for him, unwonted role of time-server and official sophist, Nemesis has visited him on the spot by causing him to err egregiously in regard to every group of facts he has handled in his Minute of September 30.*—*Oct.* 25, 1879.

NOW—A VAIN REGRET.

WHILST we may have our own doubts as to the entire expediency of the appointment here suggested by the *Indian Herald*, we should be glad to see the new Ministry thus greatly dare by trenching on the preserves of the ruling classes:—

> If the Liberal Ministry really wish to appoint a Secretary of State who would be welcomed by all classes of the native community, it will offer the post to the member for Hackney. No statesman of the present day, except, perhaps, Lord Northbrook, enjoys such widespread popularity in India as Mr. Fawcett, does just now.

* Possibly this criticism may seem, at first sight, somewhat ungracious now that the eminent man under notice has really passed over to the majority; but the subject was too important to be neglected in a retrospect of this kind. On p.p. 431-2 may be noticed arguments on the general question; but subsequent to that date, under Lord Northbrook's Government, all that portion of the import duties on manufactured cottons that corresponded to the low "counts" which can alone be produced by the Indian mills, had been swept away; so that the remaining duty was only retained for revenue purposes. The removal of this, in Lord Lytton's time, in deference to clamour from Lancashire, has ever since been bitterly resented by Indian taxpayers, who have seen taxes on income, on salt, and on other objectionable imposts applied to make up the deficiency so caused. Quite apart from this fiscal question, in which it was almost gratuitous for Sir Henry Maine to interfere, the light that is in the above extract thrown on the inner working of the Indian Council is very instructive. Since that date it has been more difficult than in former times to know what part is taken by individual members of the Council; but the need for such knowledge is greater than ever.

This latter remark is so abundantly true that we almost dread to see Professor Fawcett, by accepting the chain of an official position, risk diminution of the deep respect with which he is regarded in India. That, however, is little better than a sentiment. The substantial drawback to Mr. Fawcett being placed in the all-powerful position of Secretary of State is, that he has not mastered the Public Works question, but remains in the same *galerie* with Calcutta writers, the Bengali politicians, and such declaimers on that subject as Messrs. Smollett and Da Costa. With all his knowledge of Finance, he has not even begun to see that, wisely planned, consecutive exploitation of productive public works in India, based on discriminating utilisation of the cheap capital of England, would be the salvation of this country, and offers the only practical solution to the otherwise hopeless "drain" on Indian resources inseparable from the maintenance of costly foreign rule. By adopting the superficial view, which confounds public works outlay with Military and other unproductive expenditure, Mr. Fawcett played into the hands of the India Office clique, which, through the so-called Public Works Finance Committee of last year, were scheming to bring about that gigantic sham—the "surplus" that the party desired for their electioneering purposes. Mr. Fawcett's motives are of the purest and highest order; his intellect is acute and energetic, but not comprehensive. Hence he lacks the faculty of patient, brooding, observation and reflection, which can alone give that all-round, "slow wise thought" required for final solution of the more difficult problems of Anglo-Indian policy. Still, we should be glad to see Mr. Fawcett installed as Secretary of State for India, if the governing classes deem that politically possible. He would do a world of good in that position if he held office for six months. Failing the Cabinet post, we trust he may be willing to accept the Under-Secretaryship.—*April* 10, 1880.

THE BOGUS BUDGET OF THE AFGHAN WAR AND ITS EXPOSURE.

THIS week's affliction has been the publication of another huge batch of bankrupt financiers' confessions—bankrupt, alike in reputation and in respect of the coffers of which they were the responsible guardians. Although the spectacle of Sir John Strachey, Lord Lytton, and the half dozen ciphers whose names are also appended to the confession is an afflictive and humiliating one for the ruling race, we freely acknowledge that the public are greatly indebted to the daily journals all over India that have published the text of these documents. We may as well mention the dates of the principal papers. The biggest white sheet, dotted within and without with printer's ink, is most fittingly that bearing the inscription John Strachey, and is dated May 20th. Next is the scrimpy mantle in which Lord Lytton does his lugubrious task, dated 26th of the same; followed by the jauntily worn tippet inscribed with the names of the five other Supreme Executives—amongst which it is rather hard on "J. Gibbs" to have his name included, seeing that on June 1st, the date it bears, he could have scarcely had time to set up his new Simla bureau. This covering letter from the Government of India is as jejune as a Queen's Speech, and is merely a feeble echo of the weaker points in the Viceroy's own Minute. But these *pieces des conviction* are not all. There is a portentous batch of appendixes in which are exhumed the more technical points in the final recommendations laid down by the Commission of English financiers sixteen years ago, and which left the machinery of Indian accounts so complete that none but blinded and reckless men—such as those who are now paraded for irrevocable condemnation—could err therein.

But we must draw attention to the evident object with which these excerpts have been cunningly selected by Sir John Strachey and his henchman, Mr. R. B. Chapman. The selection and publication of these ancient paragraphs is an exercise in the skilful art of dust-throwing. It will be observed they are ingeniously chosen, referred to, and arranged so as to afford some little plausible cover for such apologies and shiftings of blame as the Finance Minister has the hardihood to infuse into his really pitiful and worthless defence. It is to be hoped that the indignation and scorn, not loud but deep and sustained, that these State papers must evoke, will sweep away that refuge of subterfuges, evasions, and suppression, in which too many of our high executive authorities habitually take refuge when their ears catch the rising roar of public condemnation. This verbose parade about defects in system and erroneous methods of accounts is so much fudge and fiddle-faddle, the only tendency of which is to ward off or mitigate the personal penalties that ought to be visited, from Major Newmarch upwards, on every man concerned in this astounding and unparalleled blunder in national account keeping. Can any one doubt, if on receipt of this

abortive, and futile explanation the Secretary of State had been instructed to telegraph out that Sir John Strachey's pay and allowance as Finance Minister and Member of Council should cease from date, that the effect, in keeping the future financial transactions of the Government of India straight, would be a hundred times more efficacious than that which can arise from any *post facto* revisal of military accounts, forms, and treasury regulations? Only some drastic course of treatment, and striking examples such as the one we have suggested, can restore political fibre and official faithfulness to the upper ranks of public servants, both here and at home. As to the actual financial position as disclosed by this later information, so much has been said during the last few days by the Indian Press—with remarkable unanimity and much point—that we need not here attempt to go into the question of revised current estimates. Even Sir John Strachey now estimates the total cost of the war at £15,000,000 independently of the cost of the frontier railways; to which estimate the public will, instinctively, add £5,000,000. One of our daily contemporaries puts it thus: "India will be fortunate if she gets out of this war, including the non-remunerative railways at a cost of £20,000,000." Whichever estimate we take is sure to be exceeded, in presence of the still intractable and all but hopeless position of affairs in Afghanistan.* Apart from the *Pioneer's* portentous hint, "further financial revelations of great magnitude" yet to be made, the matter-of-fact statement comprised in this Reuter's telegram of the 12th affords sufficient basis for the gloomiest possible apprehensions:—

> Among the official correspondence on the Indian deficit is printed a despatch from the Secretary of State for India, dated June 7th, replying to a letter from the Indian Government of March 4th (May), in which the explanations offered, Lord Hartington considers, are unsatisfactory and insufficient. His lordship further says that the estimates of 1880-81 were *not sufficient even to meet the outstanding charges of* 1879-80; he is therefore unable to understand how the Indian Government arrived at the conclusion that there was no apparent cause to distrust the adequacy of the estimates prepared by the Department of Controller of Military Accounts.

By the way, this despatch must have been at Simla nearly three weeks, and ought to be published without a single day's further delay.

To revert a moment to the despatch of confessions, there is one moral aspect of the episode, and that as we consider the most essential, to which scarcely any of our contemporaries have attached sufficient weight. Take, for instance, this passage, which is like only too many more: "28. My conclusion, then, is, that the failure of our estimate is due to our ignorance of the actual expenditure on the Army, rather than to an inadequate *a priori* appreciation of the probable cost of the field operations." The future historian, unless he is a man of insight and obtains some traces of the now current floating evidence of the political demoralisation that obtained at Simla until the bubble of revolutionary Toryism burst, will be driven to put down to sheer blockheadness that "ignorance" and "inadequate *a priori* appreciation"—not of the "probable" but of the certain cost of the Afghan invasion and occupation. Such stubborn determination to look away from the facts, and reckless disregard of plainest possible warnings of limitless expenditure, could only have been possible during a chronic frenzy of political delirium such as has not afflicted British officials since the early years of this century. In order to understand such an utter abandonment of common sense as prevailed amongst the cliques and coteries who had the fortunes of this unhappy Empire in their grasp, from the time of the Peshawar Conferences to the bubble Budget of February last, the said historian will have to fall back on a few private letters, and resort to the most prosaic literal interpretation which it will then be possible to make of "Ali Baba's" subtle but searching irony.—*July* 17, 1880.

THE COMMERCIAL DEFICIT IN 1878-80.

THE usual monthly returns of British India foreign trade were published nearly a fortnight ago. We withheld our own tabulated abstract last week, because these, being the figures for the whole twelve months, seemed to afford an opportunity for our supplying the

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* The direct cost of the Afghan invasion and retreat proved to be about £22,000,000; to which, as if in honest shame, the British Treasury contributed £5,000,000—the first sacrifice ever made by England on behalf of India, and which will always be honourable to the Ministry who granted it, in which the Marquis of Hartington was Secretary of State for India. Besides that direct cost just mentioned, there are the trans-frontier railways, estimated at £13,000,000, and still going on; then there is the large permanent addition to India's military expenditure, spoken of elsewhere, amounting to £2,000,000 or £3,000,000 of annual charge.

other factors required in order to exhibit India's yearly balance-sheet in account with the rest of the world. But, as on some former occasions, we have found it exceedingly difficult to trace all the extra, collateral, and unseen figures required to complete the statement: here we give the figures which are seen :—

Seaborne trade of British India for the twelve months ending 31st March.

	1879-80.	1878-79.	1877-78.
EXPORTS.	Rs.	Rs.	Rs.
Total Merchandise	67,21,07,406	60,93,75,131	65,22,23,282
„ Treasure	2,03,51,479	3,98,22,283	2,21,09,956
Total of Exports	69,24,58,885	64,91,97,414	67,43,33,238
IMPORTS.			
Total Merchandise	41,17,25,671	37,80,05,942	41,46,41,851
„ Treasure	11,65,48,948	7,05,67,486	17,35,54,596
Total of Imports	52,82,74,619	44,85,73,428	58,81,96,447
INDIA'S COMMERCIAL DEFICIT	£16,418,426	£20,062,398	£8,613,679
India's Total Trade ...	Rs. 1,22,07,33,504	1,09,77,70,842	1,26,25,29,685

It would be very easy for the official reporters to include such a summary as this we give each month. There could be no possible objection to this, and something of the sort is needed to make the returns complete; but we suppose that official optimists like Mr. O'Conor would feel some political *mauvaise honte* in giving that last line but one of our table. Yet that is by far the most important of all the factors for those who desire to trace the real course of the actual working of British Indian finance. Most other journals that quote these trade figures at all, just jumble them together in a "run on" paragraph, from which the ordinary reader turns aside, feeling it almost hopeless to make head or tail of the statistics. But minor variations have little bearing on the great political-financial question—what is the extent of the disadvantage at which India stands in her foreign trade; and why—as compared with all other countries on the face of the globe—does this enormous disadvantage exist?—*May 22*, 1880.

DETAILED EXPOSITION—LOANS AND DEBTS.

II.—Last week we had to break off abruptly with our comments on the Trade Returns. It was shown in our table above that "India's Commercial deficit" for the three years ending with March 1880 was $8\frac{2}{3}$, 20, $16\frac{2}{5}$ crores respectively. On these figures we raised the query—what is the whole extent of the disadvantage at which India stands in her foreign trade, and why, as compared with other countries, does this disadvantage exist? Leaving the second and more important half of this query, let us, for the present, supplement our table with a view to make up the amount to its true extent. The first obvious addition required is to add the nett amount of Government paper enfaced for payment of interest in London during each year. This tide does not always run in that direction. In some years there is a preponderance on the side of Government paper returned to India; and then the nett amount must be applied as a deduction from the "Commercial deficit" of our table. We have spoken of this adjustment as one obviously required. It is so because the remittance of enfaced paper is sent in lieu of exports of merchandise or instead of bank bills in satisfaction of monetary claims which merchants or bankers must meet. In like manner, when the enfaced paper is returned it comes in lieu of treasure or goods, and acts as a set-off to exports of all sorts from this (*i.e.*, the Indian) side. But it is only the balance of these transactions that we have to do with in stating the national account. We find, then, the nett balance for the year ending with March last of enfaced paper sent Home was 304 lakhs. This swells the figure of "Commercial deficit" given in our table for 1879-80 to 19 crores 45 lakhs. Having taken the trouble to trace the figures of enfaced paper for the two previous years we will state them: in the year 1878-9 the nett amount sent to England was 130, making the figure of deficit 21 crores 30 lakhs; and in 1877-8 the amount was 144 lakhs, making the deficit for that year stand at 19 crores and 5 lakhs. The next adjustment required is one for which we find it nearly impossible to trace the exact figures for each year; but we can easily state the principle to be followed. When

loans are taken up at Home the sum paid into the Secretary of State's treasury lessens the amount of Council drafts drawn on India, and this in turn, increases the values exported from England either in goods or treasure—especially the latter. But in taking a review of a series of years it must be remembered that the debt owing at Home is an addition to India's adverse balance with the outer world. To that extent the "Commercial deficit" stands at a lower figure than would otherwise be the case; and to bring out the real position, the amount of such loans taken up in London must be added to the last line but one in our table. During last year the loan of £5,000,000 sterling announced on March 13, 1879, was taken up at Home: and referring to the current Financial Statement, it would appear that a total debt of £5,131,100 was incurred. The deficit we have already stated for 1879-80 should therefore be increased, making a larger total by that amount. But there is an unusual circumstance which seems to require a deduction of £2,000,000 from that total. This was the provision of the advance, to that amount, from the British treasury to help the lame dog India over the stile of the first Afghan Campaign. For the other two years of our period we are unable to give the figures, as although all the aggregate figures of the Government of India's finance accounts are full and explicit, it is very difficult to apportion between one year and another the account of debt taken up and discharged at Home. Thus, in 1879, we observe there were 4 per cent. bonds discharged to the amount of £2,874,500, which should be a set-off to the total deficit we have given above. On the other hand there was £2,226,584 taken up at Home in course of 1878, and this would probably affect the balance in 1879.

Still the aggregate figures show clearly enough how the Commercial deficit is always against India. It will be observed than in 1877-8 the deficit was very much less, and the imports of treasure very much larger, than in the two subsequent years. This is accounted for in great measure by £4,250,000 of debt incurred at Home in 1877, and partly, perhaps, by the £2,250,000 just mentioned as taken up in 1878; and there was also an addition of £1,000,000 to the "temporary debt" in that year. However the Secretary of State's finance was arranged for 1877-8, it is clear that there was a large diminution in his demand on India which caused a corresponding diminution as shown in this country's Commercial deficit for that year. The cause of that diminution is curiously corroborated by the figures in the Finance accounts of "Secretary of State's Bills discharged in India" which are given for 1878 as only Rs. 10,32,27,939 as against Rs. 17,46,57,700 in 1879. The tide of bills was checked; and, by natural consequence, treasure flowed in, as will be seen to the extent of 17⅓ crores. By that relief the country was enabled to struggle through the famine: and by similar relief, if it could be regularly obtained, India would speedily rise to an unusual condition of prosperity.

It is rather remarkable that the *Economist*, though devoting two or three articles lately to the trade of British India, does not seem to have perceived this big blot on our international balance-sheet. Our contemporary grieves over the inelastic nature of export trade from Europe to India, but cannot, for the moment, see the huge barrier of Council Bills which keep back merchandise and silver alike. And this is the anti-climax with which the great economic authority gives up the puzzle:—

> An examination into the details of the Commerce of India—even yet far more feeble than is to be wished—leads to the belief that an improvement in the condition of that country cannot be looked for by any single sweeping measure of reform. Resolute attention to what seem in themselves small matters—careful watching of the details in which improvement can be introduced—will point the way. To nations, as to individuals, there is no royal road to success. The introduction of English Capital may do much to assist Indian trade.

What can be more feeble than this pottering over "details" and "small matters?" None of these are to be despised—not, for instance, repeal of the English duty on Indian gold and silver artistic work—but, in this instance, there is a "royal road," if not to success, to the deliverance of India from that chronic industrial and commercial depression which the *Economist* vainly laments. There is a hint in the right direction, though a very vague one in that remark about "the introduction of English capital." Yes; the "royal road" is there, but it needs a "king of men" to open it up. The finger-post is inscribed in simple characters—"utilisation by the State of the abundant funds of Europe on productive Public Works, thereby minifying the Council drafts and letting in cheap silver to replenish our inadequate currency." All this was duly worked out in our Nos. 21, 22 and 23 a year ago; and when the "king of men" is available there are the tools ready for him.—*May* 29, 1880.

Maharajah Scindia's Silver Imports.

It was recently mentioned in a news-letter that his Highness the Maharajah Scindia had been importing silver—from America, it is presumed. The writer had observed the packages being transladed at the Agra Station and estimated that there was from three to four tons of the precious metal. This quantity might represent a fair amount for the Gwalior State, but would be a mere trifle in British India. The Bombay Mint turns out more than that every week. The loan that the Government of India is asking will represent over 300 tons. But the incident seems to remind us of the palpable unwisdom of this loan being taken up in this country instead of being borrowed in sterling at Home. Reckoning the usual course of the Secretary of State's drafts, the whole amount of the rupees taken up here will have to be remitted to London in about seven weeks. Could any method of financing be more utterly foolish than this? With bankers, brokers, and native capitalists who profit by it, this shortsighted policy of borrowing in the dearest market may be expected to be popular. By our State financiers, who should take a larger and more comprehensive view, the broader interest of the people and taxpayers of India ought to be considered. For the pottering course of taking up this loan in India the excuse is, that if taken up in England the interest will have to be remitted. But this is the mere surface aspect of the matter, and it is puerile superstition to act upon that. Fifteen to eighteen millions sterling must be paid in London during the year. If the Government of India has to borrow as it must, and much more than this 313 lakhs as will soon be seen—the most ordinary business common sense prescribes that loans should be taken up on the spot where the fifteen millions are wanted. The transaction in England would be from 1 to 2 per cent. more favourable in point of interest, and 3 to 4 per cent. better in the principal amount. But that is only what is seen as regards the transaction itself. To take three or four millions of Council drafts off the market would not only largely lessen the Government of India's "loss by exchange" but would relieve all the mercantile exchange of the year, while leaving the capital in this country, and would assist the commerce and industry of India in all directions. As to the cost of future remittances of interest it is matter of arithmetical demonstration that whenever the exchange value of the rupee is down to 1s. 8d.—we should say whenever it is down to 1s. 9d.—the large immediate saving in exchange and the very considerable future and perdurable advantage in lower interest and better rate of subscription to the principal *far outweigh the cost of remittance.* This, we know, is not the popular view, and the peddling doctrinaires of the India Office refuse to look the facts in the face; but the conclusions we have stated are the true ones, as any competent financier who will go into the calculation can prove for himself.—*May 22*, 1880.

Mr. Grant Allen's Blunders.

Amongst the many conflicting opinions now before the public on the subject of India no two can be more diametrically opposed to each other than those of Mr. Grant Allen and of Dr. George Birdwood. The former of these gentlemen writes in the current number of the *Contemporary Review*, the latter in that of the *St. James's Budget*. Mr. Grant Allen seeks to prove to the world, upon the score of profit and loss, that in justice to herself it has become the manifest duty of the British Government to abandon India, and thus wash its hands of an annual cost amounting to 15,000,000 sterling. This, as we have already shown, is sought to be proven by statements so utterly erroneous and incoherent that Dr. Birdwood, without superflous ceremony, knocks them over like so many ninepins, and shows that the £15,000,000, at which Mr. Grant Allen estimates the cost of India to the Government, is placed to the wrong side of the account. We need do no more than give a clue to the fallacy upon which Mr. Grant Allen rests his contention, By some strange freak of his arithmetic, wars in which India has, rightly or wrongly, engaged herself, are put down to the cost of England, while the truth is that they never cost England a penny. Then again, the cost of the maintenance of Gibraltar, Malta, and Aden, are placed to the debit of India, though the two first became possessions of England quite irrespective of our sway over India; and for Aden, every shilling of its cost is drawn from the revenues of India. Dr. Birdwood makes a clear sweep of these idle assertions, by the question—"Is it possible that Mr. Grant Allen has not learned that the balance in favour of England on all her transactions with India, is over £15,000,000 a year; that India pays and England receives this considerable sum yearly; and that the amount of this price of the benefit India derives from the connexion with England is the very ground for questioning the value of that connexion to India?"—*Nov. 20*, 1880.

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